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CITY OF JACKSON, MISSISSIPPI
COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED
SEPTEMBER 30, 2003

**CITY OF JACKSON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2003**

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March 23, 2004

The Honorable Mayor Harvey Johnson, Jr. and
Honorable Members of the City Council
City of Jackson, Mississippi

Dear Mayor Johnson and City Council Members:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2003 for the City of Jackson, MS. The professional staff of the Finance Division of the Department of Administration prepared this report in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with state laws and ordinances which govern municipalities. We maintain that the data is accurate in all material aspects and is presented in a manner designed to set forth fairly the financial activities of the various funds of the local government. The responsibility for the accuracy of the data and the fairness and completeness of the presentation, including any disclosures necessary to enable the reader to gain an understanding of the fiscal affairs of the City, is entrusted with the local government. We further assert that adequate internal controls are implemented.

The 2003 CAFR includes all of the funds and account groups of the City of Jackson, MS, as well as the Jackson Redevelopment Authority (JRA), the only component unit of the City. JRA is presented as a proprietary fund type within the CAFR because the City exercises significant oversight responsibility. JRA's administrative operating costs, approval of bond issues, and approval of appointments to the Board of Commissioners are authorized by the City's governing body. Additionally, JRA accounts for separate funds and maintains revenues sufficient to meet their operating costs, debt service and system replacement and maintenance needs for their parking garages and other urban renewal projects.

Organizationally, the 2003 CAFR provides information in three major sections: Introductory, Financial, and Statistical. The Introductory Section encompasses the Letter of Transmittal, the Organizational Chart of the Executive Branch of the City of Jackson, MS, a list of principal elected and appointed officials, and the 2002 Certificate of Achievement for Excellence in Financial Reporting which was awarded to the City by the Government Finance Officers Association. The Financial Section consists of the Independent Auditors Report, the General Purpose Financial Statements, and the various individual fund and account group financial statements and schedules. The Statistical Section provides supplementary financial and economic data that is unaudited. Additionally, a narrative introduction, overview, and analysis is provided in the form of

Management's Discussion and Analysis (MD&A). We recommend that the MD&A on pages 3-11 be carefully examined by the reader to provide a more concise presentation of the financial position of the City.

A comprehensive range of municipal services including public safety, street maintenance, water, sewer, and sanitation services, social programs, recreation activities, cultural events and general administration are provided to Jackson's citizens. These services are provided in the context of the broad public policy initiatives as determined by the elected officials of Jackson, MS. Youth and Education, Crime Prevention, Neighborhood Enhancement, Economic Development, Changes in City Government, Quality of Life, and Infrastructure and Transportation were the policy initiatives for FY 2003.

ECONOMIC CONDITION AND OUTLOOK

Historical Background

Jackson, MS was founded in 1821 at the site of a trading post that was situated on a "high and handsome bluff" on the west bank of the Pearl River. It is said that the trading post was operated by a French-Canadian trader named Louis LeFleur, who gave the town its original name of LeFleur's Bluff. The Mississippi Legislature wanted the seat of government moved out of the Natchez area and into a more central location. Thomas Hinds, James Patton and William Lattimore were then commissioned to locate the ideal site for the state capital. Their report to the General Assembly was that LeFleur's Bluff had "beautiful and healthful surroundings, good water, abundant timber, navigable waters, and nearness to the Natchez trace." A legislative act dated November 28, 1821 authorized the location to be the permanent seat of government and that it would be named Jackson in honor of Major General Andrew Jackson who later would become the seventh president of the United States. A \$3,500 contract was let to build Mississippi's first capitol, a two-story brick structure 40 feet by 30 feet, where the opening session was held on December 23, 1822. A second capitol building, popularly known as the "Old Capitol," was completed in 1840 and remained in use until 1903. The building, restored in 1961, has become Mississippi's Historical Museum. The New Capitol building, a magnificent structure patterned after the National Capitol, was completed in 1903.

During the Civil War, the town was ravaged and burned three times by Union troops under the command of General William Tecumseh Sherman. The destruction prompted the unwelcome nickname of "Chimneyville." Although less than 8,000 people lived in Jackson at the turn of the century, its population began accelerating rapidly after 1900, and it is now one of the dynamic growth cities of the Sunbelt at 184,000 citizens.

Jackson Today

The City of Jackson, MS operates under the mayor-council form of government. Prior to 1985, the commission form of government, which included a mayor and two commissioners elected at-large, was in place. Due to legal action that posited that the commission form of government was not representative, the form of government was changed in 1985. Currently, the municipal government is comprised of the mayor, who is

elected at large, and seven council members, who are elected by ward. In June 2001, the City re-elected Harvey Johnson, Jr. as its first African-American mayor for a second term. The mayor and council members serve four-year terms. City leaders are committed to ensuring that the municipality has a healthy financial outlook while providing essential services.

Jackson, MS, the state capital and seat of Hinds County, is the population, educational, cultural, medical, and governmental nucleus of the state. The City is home to an international ballet, minor league baseball, and several telecommunication companies.

The State of Mississippi's 7 percent sales tax remains constant, as does the monthly remittance of 18.5% of collections to the City. Jackson property owners pay property taxes for county, city, and school totaling \$169.14 per \$1000 of assessed value. The assessment rate is 10 percent for residential property, 15 percent for other real property and 30 percent for personal property. There is no local income tax in Jackson.

The City's financial stability is evidenced by the general fund reserve, fund balance reserve policy, bond ratings and other fiscal details. An Unrestricted General Fund Reserve policy that is in compliance with GFOA recommended practice is followed by Jackson. Additionally, there are fund balances reserved for Inventory, Encumbrances, and State Tort. At September 2003, the City remained an excellent place for investors because of its ratings of A1 on both G.O. bonds and Revenue bonds by Moody's and AA- on G.O. bonds and A- on Revenue bonds by Standard & Poor's.

The estimated ratio of net bonded debt to estimated assessed valuations and the amount of bonded debt per capita in FY 2003 are useful gauges of the City's debt position.

POPULATION:		184,256
BONDED DEBT PER CAPITA:	\$	433
REAL & PERSONAL PROPERTY ASSESSED VALUE:	\$	960,332,355
NET BONDED DEBT (G.O):	\$	79,728,891
RATIO OF DEBT TO ASSESSED VALUE:		8.30%

Labor Force

Jackson's 2003 labor force is approximately 134,765 individuals. Sales and office personnel account for 28.85%, professionals and related occupation account for 20.63%, and service accounts for 18.35% of the work force. The remaining 32.17% of the labor force work in management, business, financial operations, farming, fishing, forestry, construction, extraction, maintenance, production, and transportation.

Cultural and Recreational Opportunities

The New Stage Theater, Mississippi Symphony Orchestra, Russell C. Davis Planetarium, Smith Robertson Museum and Cultural Center, and Mississippi Museum of Art provide a variety of distinguished venues that patrons of the arts may enjoy. Other noteworthy cultural activities may include a visit to the Medgar Evers House or a drive

following the many points of interest on the Civil Rights Tour. Fifteen libraries are also available to the citizenry.

A wide variety of recreational activities are available in the Jackson metropolitan area for all of its diverse populace. The Barnett Reservoir, Dixie National Rodeo, Mississippi Agriculture and Forestry Museum, Smith-Wills Stadium, Mississippi Veterans Memorial Stadium, and the Mississippi Coliseum are well-known facilities that attract people from within the metropolitan area and people from outside of the immediate region. The Jackson State University Tigers, a university football team, play their home games at Mississippi Veterans Memorial Stadium.

Jackson, MS welcomed the Jackson Senators, a Central League baseball team, in June 2002. During their first year of play, the Senators averaged 1,400 in attendance per home game, was the top-ranked team during the first half of the Central League, and was one game away from winning the championship for the entire year. In only their second year in Jackson, the Senators won the Central Baseball League in a very exciting game that went into extra innings.

Education

Jackson educates approximately 36,000 students with 2,300 licensed teachers through its 118 public schools, the Jackson Public School District. The Jackson Public School District has an annual budget of \$296.0 million for FY 2004 with a per student expenditure of \$7,189. The Jackson School District offers its students the opportunity to attend one of eleven magnet schools (four elementary schools, four middle schools, and three high schools) which offer students special curricula not found in traditional neighborhood schools. Open Doors, Academic and Performing Arts Complex, International Baccalaureate, and Accelerated Course programs provide special enrichment for students that have demonstrated outstanding academic performance or have special creative and performing and visual arts abilities.

Graduates from the Jackson Public Schools annually receive more than \$6.0 million in scholarships from various colleges and universities in Mississippi and from prestigious institutions such as Harvard University, Yale University, the United States Air Force Academy, Southern Methodist University and Vanderbilt University.

Education beyond high school is provided by one state university, two community colleges, four well established private colleges including a law school, the state's medical school, and five seminaries in the metropolitan area. Jackson State University, located in the most densely populated area of the state and Mississippi's Urban University, has a rich tradition of providing educational opportunities to under-represented students. Belhaven, Millsaps, Tougaloo, and the University of Mississippi Medical Center are also located within the city limits of Jackson.

Churches and Synagogues

There are over 400 churches and synagogues in the Jackson area representing all major faiths and denominations.

Transportation

Two major highways--Interstates 55 and 20--intersect in Jackson at the crossroads of the South. Interstate 20 extends from South Carolina to Texas where it connects with Interstate 10 to Los Angeles. Interstate 55 starts at Chicago, goes through Memphis and ends at New Orleans. U.S. Highways 49, 51, and 80 also intersect here. State Highways 18, 25 and the Natchez Trace Parkway complete our excellent highway system.

Forty-four regular common carriers are located in the metro Jackson area and three of these carriers' terminals are regional break-bulk facilities. Service is provided on a regional, national and international basis due to the variety of carriers. Overnight service is possible in the Southeastern United States. Local cartage is adequately provided by 12 firms, but all carriers can handle heavy hauling.

Union Pacific and Mid-South railroads provide six rail lines that converge from all directions. Upgraded terminal yard facilities provide efficient switching service. The piggyback ramp provides a hub center for customers in a 150-mile radius. Amtrak also services the City of Jackson with daily service to Chicago and New Orleans.

Barge facilities are 45 miles away at the Port of Vicksburg and 11 lines provide service. Complete port facilities are offered for handling and warehousing cargo. All types of barges are available and additional equipment of the LASH/SEABEE type is available on special order.

Intercity bus service is provided by Greyhound with 86 inbound and outbound buses daily. Citywide bus service including 13 fixed routes and demand response Handilift service is provided by the City of Jackson through its management company, which is currently JATRAN. Several vehicles for hire service providers are located in the metropolitan area, which supply the citizens with quality taxi, limousine, and shuttle services.

The commercial airport is the Jackson International Airport, which has been designated as a general purpose Foreign Trade Zone and maintains two 8,500-foot runways. It has undergone a multi-million dollar renovation. American Eagle, Delta Air Lines, Northwest Airlines, and Southwest Airlines offer non-stop flights to hubs of Atlanta, Baltimore, Cincinnati, Dallas, Houston, Memphis, and Orlando with direct service available to almost every major city in the United States. Several commuter airlines also provide service from the Jackson International Airport. A smaller airport located in Jackson, Hawkins Field Airport, accommodates private and company aircraft. Airborne Airfreight and United Parcel Service provide charter aircraft package freight from the Hawkins Field facility. The Hawkins Airport is completing a \$15 million air cargo expansion program, which will offer 450,000 square feet of aircraft parking and 60,000 feet of warehousing/distribution facilities.

SERVICE HIGHLIGHTS

In conjunction with the broad policy initiatives for FY 2003, we present the following as activities undertaken toward fulfillment of core services :

General Obligation Bonds of \$20 million were issued for infrastructure improvements Public Safety, Library, Public Works, and Parks and Recreation in January 2003. These funds were leveraged with private and other governmental funds such that actual improvements will total more than \$50 million. A critical factor in issuing the bonds was that the City would not require a tax increase to fund the debt payment for these bonds.

As sound financial management would dictate in a low interest rate environment, the City took advantage of an opportunity to refund Water-Sewer Revenue bonds in an amount of \$40.5 million. This municipal finance transaction resulted in \$1.9 million savings in debt service payments for the Water-Sewer Utilities System.

Jackson Police Department developed and implemented a Five-Point Plan to provide a blueprint for addressing safety concerns. The Five-Point Plan includes: vigorous enforcement of current statutes; demonstration by appearance and performance respect for self, citizens, the community, and the law; increase the effectiveness of crime prevention through widespread collaboration with other law enforcement agencies; incorporate community policing into the culture of the Jackson Police Department; and assure that all Jackson youth have the resources needed to thrive and become productive adults.

An expanded version of community policing Community Oriented Government, was launched to encompass other City units that provide quality of life services. The concept was facilitated by the Jackson Police Department and Gulf States Community Policing Institute. Training of more than 300 individuals of city administrators and staff, state and federal government staff, and community leaders will ensure a more focused effort from other than JPD on resolving quality of life issues to lessen crime.

During the summer, the Mississippi Catfish on Parade project was launched. More than 200 catfish painted by Mississippi and national artists were mounted all over the Capital City from May 2003 through September 2003. "Jackson" was the name of the City's entry into the "Catfish on Parade" exhibit in downtown Jackson. Depicted in vibrant colors, "Jackson" symbolized all of the individuals, multi-colored, varying textures, woven together in a beautiful tapestry that is our municipality.

Enhancements of \$4.5 million to twenty-four parks, community centers, gymnasiums, and golf courses were completed. Families and communities will enjoy the major facility upgrades at the Champion Community Center, Grove Park Golf Course, Mynelle Gardens, and Smith Willis Stadium, the home of the Jackson Senators.

Final construction was completed on the High Street Project which widened approximately .5 mile of the street to a 5-lane curb and gutter section. The construction of new water mains, sanitary sewer lines and storm drainage were a component of the project. Additionally, new sidewalks, street lighting, landscaping and traffic signals were included in the \$4.7 million enhancement.

The City's self-funded group health insurance plan was revamped to eliminate the low-option and high option coverage categories. This revision resulted in favorable experience in the paid-loss ratio for the medical insurance plan as compared to previous years. Additionally, this change enhanced the controls in the self-funded plan.

Establishment of a health and wellness program for all firefighter personnel was undertaken with funding assistance from FEMA. Over 300 firefighters were given a baseline physical examination and individual recommendations were provided on how to improve nutritional and physical fitness. The City is interested in not only the level of services that the firefighter can deliver to its residents, but the health and welfare of the employee as well.

PLANNED ACTIVITIES

The City of Jackson has worked for years to create a multi-modal transportation facility at the local Amtrak train station. The City will officially open Union Station during FY 2004. The renovated facility will house Amtrak, Greyhound Bus, JATRA (local bus transportation), limousines and taxicabs, and serve as a transfer point for rural carriers. Additionally, Union Station will offer space for restaurants, offices, and other retail space.

The initial work program in the development of the Farish Street Entertainment District will be completed. This phase of the work program includes enhancements to the water, sanitary sewer and storm-drainage facilities, decorative street lighting, park benches, planters, ornamental trees and shrubs, and commemorative plaques inlaid in sidewalks on a two block stretch of Farish Street. Improvements will be made to the facades of long-term businesses and new establishments who operate in the Farish Street District in the furtherance of enhancing the aesthetics of the area.

A unique opportunity for all of North America to experience The Glory of Baroque Dresden will be offered March 1, 2004 through September 6, 2004 exclusively at the Mississippi Arts Pavilion in downtown Jackson, Mississippi. This will be the first major Dresden exhibit presented in North America since the reunification of East and West Germany. A dazzling display of 15 galleries filled with royal riches of more than 400 magnificent objects will be featured. The Dresden Exhibit is the fourth in a series of international art exhibitions that the City has been privileged to host.

The Jackson Police Department will begin operating a new police substation on Farish Street to create an additional public safety presence in the new entertainment district. The

substation will house the Bike Patrol, Parking Enforcement and a Police Museum.

Stakeholders in the development of downtown Jackson will get an opportunity to work with the City through the commission of a strategic plan for the Downtown area. This plan will evaluate proposed developments, both public and private, to ensure their compatibility with each other and future development projects.

Negotiations will be underway to transition ownership from league ownership of the Jackson Senators of the Central Baseball League to local ownership. It is anticipated that local ownership will boost attendance and induce a "Best of the New South" spirit.

The first annual Officer of the Year Award will recognize the sworn officers who best epitomize work efforts that are above and beyond the call of duty. The presentation to the officers in a ceremony among their peers will indicate the level of gratitude that the City and its citizenry has for their service, and also help motivate other officers toward greater achievement.

Disaster recovery will be greatly enhanced through the purchase of computer hardware and software in the migration to a new technology platform. The new platform will facilitate instantaneous mirroring of all data at two sites to provide a more dynamic disaster and immediate failover system. Public safety, financial management, and utility management systems will be installed on the platform.

A self-contained breathing apparatus service plan, encompassing individualized fit test of all face pieces, will be evaluated, developed, and implemented by the Jackson Fire Department. The National Fire Protection Association issued this new standard and the plan will address Jackson's compliance.

The upgrade of the O.B. Curtis Water Plant to increase the water productivity capacity of the plant is scheduled to begin construction in the summer of 2004. The enhancement will utilize the membrane filtration system to increase the production of water from 25 million gallons daily to 50 million gallons daily.

PARKS AND RECREATION DEPARTMENT

The mission of the Parks and Recreation Department is to provide leisure services and programming opportunities to residents and visitors of Jackson through 54 parks, 11 community centers and gymnasiums, 9 swimming pools, 2 golf courses, 1 botanical garden, and numerous other safe, well-maintained facilities. Previously, Parks and Recreation was a division within the Human and Cultural Services Department. Because of a renewed emphasis on quality of life by this administration, Parks and Recreation was established as a stand alone department in FY 1997-98. Parks and Recreation has also been charged with the responsibility of maintaining the public right-of-ways, downtown district, cemeteries and Smith Wills Stadium, the home of the Jackson Senators.

Through efficient management and community involvement, the number of teams in adult softball, cartoon basketball league, inner city soccer, soccer league, restricted adult basketball league, youth flag football, and softball tournaments have increased substantially since the department's independent inception. Furthermore, the number of participants in the Hershey Track and Field program, After-School program, and NFL Punt, Pass & Kick competition has risen significantly.

Annually, the Parks and Recreation Department develops a Leisure Service Guide that is disseminated to students at all elementary schools and at community forums. These Guides are also available at administrative offices within the City. The Leisure Service Guide provides a calendar of programming events and recreational activities that are available through the City. Each division within the Parks and Recreation Department is featured detailing their programs, costs, location, and key contact information. The Leisure Service Guide has proven to be an excellent means to inform residents and visitors of the many quality of life offerings that they can enjoy.

GENERAL FUND BALANCE

The General fund balance available for future appropriation is \$13.6 million, which includes \$5.1 million attributable to the City's fund balance reserve policy. An additional \$3.6 million is reserved for encumbrances, inventories, state tort claims, and \$1.4 million are designated for contingencies.

ENTERPRISE AND OTHER OPERATIONS

The City's enterprise operations provide a variety of services on a fee-for-services basis. Four Enterprise Funds are maintained and include the Water/Sewage Disposal System Fund, Madison Sewage Disposal System Funds, Transportation Fund, and the Sanitation and Recycling Fund. User fees are constantly monitored and adjusted as necessary to assure sufficient revenues to maintain the financial stability of the Enterprise Funds. A significant transaction in enterprise operations during FY 2003 was the sale of the Rankin system to surrounding municipalities. That change resulted in a large decrease in overall net assets in the Water/Sewer Disposal System Fund.

A comparative statement of changes in net assets (loss) for the years ended September 30, 2003 and 2002 follows (in thousands of dollars):

Net Income (Loss)	2003	2002
Water/Sewage Disposal Fund	\$ (22,317)	\$ 18,000
Madison Sewage Disposal Fund	789	476
Transportation Fund	(300)	797
Sanitation and Recycling Fund	133	86
Total Net Income	<u>\$ (21,695)</u>	<u>\$ 19,359</u>

EMPLOYEES' RETIREMENT PLANS

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi employer, cost-sharing pension plan and an agent multi employer pension plan. Substantially, the City of Jackson full-time employees participate in the multi employer cost-sharing pension plan. Benefit and contribution provisions are established by state law and may be amended only by the State of Mississippi Legislature. The employer and employee contributions represented 9.75% and 7.25% of covered payroll, respectively.

The City's uniformed police officers and fire fighters employed prior to April 1, 1976 participate in the agent multi employer pension plan. The City's contributions consist principally of allocations of ad valorem taxes derived from a 5.06 millage levy, increased annually not more than one-half mill, to meet the necessary funding level. Employees participating are required to contribute 10% of their annual salary. The retirement plan for this group of uniformed police officers and fire fighters is now actuarially sound. The ad valorem tax payments to the Public Employees' Retirement System will resume in 2009.

DEBT ADMINISTRATION

The ratio of net bonded debt to assessed valuations and the amount of bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. This data for the City of Jackson at the end of the 2003 fiscal year were as follows:

Population	Assessed Value of Real & Personal Property	Net Bonded Debt	Ratio of Debt To Assessed Value	Bonded Debt Per Capita
184,256	\$960,332,355	\$79,728,891	8.30%	\$432.71

Bonds outstanding at September 30, 2003 and 2002 were as follows (in thousands of dollars):

Category	Amount Outstanding Sept. 30, 2003	Amount Outstanding Sept. 30, 2002
General Obligation	\$ 80,810	\$ 69,365
Special Obligation Bond – Pension	31,520	35,310
Tax Increment Limited Obligation	1,565	1,890
Bonded Debt	\$ 113,895	\$ 106,565
Water/Sewer General Obligation	630	1,205
Revenue Bonds	121,400	132,226
Urban Renewal Bonds - Component Unit	48,316	51,591
Total	\$ 284,241	\$ 291,587

The General Obligation Bonds are a net direct tax-supported debt, funded by a statutorily unlimited millage levy as required. Water and Sewer General Obligation Bonds, shown as payable by the Water/ Sewage Disposal System Fund, are general obligations of the City, but will be retired from water and sewer revenues.

Pursuant to a long-term lease agreement between the City and the Jackson Redevelopment Authority, the City has agreed to pay certain basic rentals to the Authority related to Urban Renewal Parking Facility Bonds. The City's requirement to pay rentals under the lease is limited to the amount sufficient to pay principal and interest on the bonds, reduced by the amounts accruing to the Authority from operations of the facility. The remaining portion of the bonds will be retired from user fees from facilities constructed with Urban Renewal Bond proceeds.

CASH MANAGEMENT

The City exercises an aggressive cash management policy, which involves cash flow analysis, and projection of immediate cash needs. As allowed by state statutes, surplus funds are invested in certificates of deposit with municipal depositories and direct obligations of the U. S. Treasury and collateralized repurchase agreements. Also, all remaining cash is placed in interest-bearing checking accounts. Interest earned for FY 2003 for all funds totaled \$2,236,344.00, a reflection of low interest rates that prevailed throughout the year.

RISK MANAGEMENT

The City also maintains an Unemployment Compensation Revolving Fund (Expendable Trust Fund) established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at not less than 2% of the first \$7,000 paid each employee during the preceding year. As of September 30, 2003, the required amounts were funded. Claims totaled \$124,981 during fiscal year 2003. Worker's Compensation benefits in the amount of \$1,492,875 were paid to employees during fiscal year 2003.

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employee medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$9,238,208 and employee benefit costs were \$9,216,908 during fiscal year 2003.

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993 to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which the City of Jackson may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, the Mississippi Tort Claims Board was established by House Bill 417. Municipalities are required to submit plans of insurance, self-insurance and/or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) Purchase of liability insurance, (2) Pooling of two or more municipalities or other political subdivisions to purchase liability insurance or to self-insure, (3) Self-insure with the establishment of a self-insurance reserve fund.

The City of Jackson is in compliance by using method number three as indicated above. The 1994 fiscal year budget had the monies necessary to establish the reserve fund at the required funding level.

OTHER INFORMATION

Section 21-35-31 of the Mississippi Code of 1972 requires an annual audit of the books of account, financial records and transactions of all departments of the City by a Certified Public Accountant approved by the City Council. This requirement has been complied with, and the auditors' opinion of Banks, Finley, White and Company has been included in this report.

The City of Jackson is also required to have an audit performed in compliance with the Single Audit Act of 1984 regarding grants received from the federal government. This report is available under separate cover.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jackson, Mississippi, for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This was the twentieth consecutive year that the City of Jackson has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The staff of the Department of Administration, and particularly, the Finance Division, has my appreciation for their dedication and diligence in the preparation of this report. I further thank the Office of the Mayor, Office of the Chief Administrative Officer, and the City Council for their interest and support.

Respectfully submitted,

A handwritten signature in cursive script that reads "Cynthia Austin Melvin".

Cynthia Austin Melvin, Director
Department of Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Jackson,
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

The Honorable Mayor Harvey Johnson, Jr.
and Honorable Members of the City Council
City of Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Jackson, Mississippi (the City), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jackson, Mississippi, management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit of the City of Jackson, Mississippi, as follows: Jackson Redevelopment Authority which statements reflect assets and revenues of 16.97 percent and 12.50 percent, respectively, of the business-type activities funds. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respect, the financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jackson, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2004 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of September 30, 2003.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jackson, Mississippi basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profits Organizations*, and is also not a required part of the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Banks, Finley, White & Co.

BANKS, FINLEY, WHITE & CO.

Jackson, Mississippi
March 23, 2004

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Jackson, we offer readers of the City of Jackson's financial statements this narrative overview and analysis of the financial activities of the City of Jackson for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xiv of this report.

Financial Highlights

- The assets of the City of Jackson exceeded its liabilities at the close of the most recent fiscal year by \$327 million (*net assets*). Of this amount, there is \$235 million in *unrestricted net assets*.
- The government's total net assets increased by \$35 million.
- As of the close of the current fiscal year, the City of Jackson's governmental funds reported *combined* ending fund balances of \$69 million, an increase of \$17.3 million in comparison with the prior year. Approximately ninety-two (92) percent of this total amount, \$63 million, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year unreserved fund balance for the general fund was \$13.6 million, or 15 percent of total general fund expenditures.
- The City of Jackson's total debt increased by \$.6 million (15 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Jackson's basic financial statements. The City of Jackson's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Jackson's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Jackson's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Jackson is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Jackson that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Jackson include general government, public safety, public works, human & cultural services, and employee benefits. The business-type activities of the City of Jackson include water/sewer, transportation and sanitation.

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements include the City of Jackson itself (known as the *primary government*), and a legally separate redevelopment authority for which the City of Jackson is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Jackson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Jackson can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Jackson maintains sixteen (16) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Improvement Fund, 1998 General Obligation Bond Fund, and 2003 General Obligation Bond Fund, all of which are considered to be major funds. Data from the other eleven (11) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Jackson adopts an annual budget for all of its funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-22 of this report.

Proprietary funds. The City of Jackson maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Jackson uses enterprise funds to account for its Water/Sewage Disposal System Fund, Madison Sewage Disposal System Funds, Transportation Fund and Sanitation Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Jackson's various functions. The City of Jackson uses an Internal Service Fund to account for its Employee Group Health Benefit Fund. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

CITY OF JACKSON, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water/Sewage Disposal System Fund, which is considered to be a major fund of the City of Jackson. The Internal Service Fund is presented in the Proprietary Fund financial statements as governmental activities.

The basic proprietary fund financial statements can be found on pages 23-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 28-63 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Jackson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 64-67 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 68-94 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jackson, assets exceeded liabilities by \$327 million at the close of September 30, 2003.

By far the largest portion of the City of Jackson's net assets (67 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Jackson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Jackson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Jackson's Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 80,432	\$ 65,888	\$ 101,129	\$ 106,765	\$ 181,561	\$ 172,653
Capital assets	178,990	154,410	274,767	303,268	453,757	457,678
Total assets	259,422	220,298	375,896	410,033	635,318	630,331
Long-term liabilities outstanding	134,290	127,302	152,057	161,469	286,347	288,771
Other Liabilities	12,803	15,486	8,834	10,506	21,637	25,992
Total Liabilities	147,093	142,788	160,891	171,975	307,984	314,763
Net assets						
Invested in capital assets, net of related debt	95,360	34,609	122,710	141,800	218,070	176,409
Restricted	(476)	5,612	(125,132)	150,411	(125,608)	156,023
Unrestricted	17,445	37,289	217,427	(54,152)	234,872	(16,863)
Total net assets	\$ 112,329	\$ 77,510	\$ 215,005	\$ 238,059	\$ 327,334	\$ 315,569

At the end of the current fiscal year, the City of Jackson is able to report positive balances in all three categories of net assets in governmental activities and in all except the unrestricted category in business-like activities.

There was a decrease of \$275 million in restricted net assets reported in connection with the City of Jackson's business-type activities. The government's total net assets increased by \$12 million during the current fiscal year.

Governmental activities. Governmental activities increased the City of Jackson's net assets by \$35 million, thereby accounting for all of the total growth in the net assets of the City of Jackson when coupled with the decrease in net assets from Business-type activities. Key elements of this increase are as follows:

- Property taxes increased by \$3.4 million (9 percent) during the year. This increase is the product of state mandated property reappraisal.
- Implementation of an official policy on indirect cost and franchise fee from Water Sewer Utilities increased Other Revenue by more than \$1.6 million.
- Reclassification to capital assets

For the most part, increases closely paralleled inflation and growth in the demand for services.

CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Jackson's Changes in Net Assets (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues						
Charges for services	\$ 12,118	\$ 8,090	\$ 51,822	\$ 56,405	\$ 63,940	\$ 64,495
Operating grants and contributions	12,574	10,402	1,626	10,843	14,200	21,245
Capital grants and contributions	10,873	16,272			10,873	16,272
General revenues:						
Property taxes	63,955	59,076			13,955	59,076
Sales taxes	35,097	35,899			35,097	35,899
Franchise taxes	10,692	5,835			10,692	5,835
Other	94	7,902	(20,443)	2,717	(20,349)	10,619
Grants and contributions not restricted to specific programs	292	348			292	348
Other taxes						
Total revenues	\$ 145,695	143,824	\$ 33,005	\$ 69,965	\$ 178,700	213,789
Expenses:						
General government	30,228	28,337		-	30,228	28,337
Public safety	51,657	54,196		-	51,657	54,196
Public works	16,815	10,156		-	16,815	10,156
Human and cultural services	11,994	6,655		-	11,994	6,655
Employee benefits	3,359	3,275		-	3,359	3,275
Interest on long-term debt	6,254	8,674		-	6,254	8,674
Water/Sewer	-	-	44,396	37,671	44,396	37,671
Transportation	-	-	5,740	5,782	5,740	5,782
Sanitation	-	-	9,075	9,135	9,075	9,135
Total expenses	120,307	111,293	59,211	52,588	179,518	163,881
Increase in net assets before transfers	25,388	32,531	(26,206)	17,377	(818)	49,908
Transfers	(4,512)	(2,282)	4,512	2,282	-	-
Increase in net assets	20,876	30,249	(21,694)	19,659	(818)	49,908
Net assets - October 1, 2002	77,510	47,261	238,059	211,659	315,569	258,920
Prior period adjustments	13,943	-	(1,360)	6,741	12,583	6,741
Net assets - September 30, 2003	\$ 112,329	\$ 77,510	\$215,005	\$ 238,059	\$ 327,334	\$ 315,569

Business-type activities. Business-type activities decreased the City of Jackson's net assets by \$23 million.

- Sale of the Rankin Sewer Disposal System to surrounding municipalities accounted for the reduction in net assets.

Financial Analysis of the Government's Funds

As noted earlier, the City of Jackson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

CITY OF JACKSON, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds. The focus of the City of Jackson's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Jackson's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Jackson's governmental funds reported combined ending fund balances of \$68.6 million, an increase of \$17.3 million in comparison with the prior year. Ninety-two (92) percent of this total amount (\$63.2 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$.5 million), 2) State tort claims (\$2.7 million) or 3) for a variety of other restricted purposes (\$2.2 million).

The general fund is the chief operating fund of the City of Jackson. At the end of the current fiscal year, unreserved fund balance of the general fund was \$13.6 million, while total fund balance reached \$18.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15 percent of total general fund expenditures, while total fund balance represents 20 percent of that same amount.

The fund balance of the City of Jackson's general fund increased by \$2.7 million during the current fiscal year.

The debt service fund has a total fund balance of \$.5 million, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$1.4 million.

Proprietary funds. The City of Jackson's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water/Sewage Disposal System Fund at the end of the year amounted to \$217.4 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$7.2 million and can be briefly summarized as follows:

- \$4.5 million for purchase of equipment through Master Lease Program
- \$837,000 increase in overtime
- \$310,000 increase in annexation cost
- \$585,000 increase in transfers
- \$811,000 increase in supplies and materials
- \$157,000 miscellaneous increases

CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The City of Jackson's investment in capital assets for its governmental and business type activities as of September 30, 2003, amounts to \$453,688 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, and bridges.

Major capital asset events during the current fiscal year included the following:

- Sale of the Rankin sewer Disposal System to surrounding municipalities

City of Jackson's Capital Assets (net of depreciation) (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 14,940	\$ 14,940	\$ 1,388	\$ 1,418	\$ 16,328	\$ 16,358
Building & systems	17,698	4,322	1,723	1,218	19,421	5,540
Improvements other than buildings	-	-	411	366	411	366
Machinery and equipment	19,069	19,850	21,753	23,774	40,822	43,624
Infrastructure	75,701	71,915	210,794	231,444	286,495	303,359
Construction in progress	51,582	43,383	38,628	45,048	90,210	88,431
Total	\$ 178,990	\$ 154,410	\$ 274,698	\$ 303,268	\$ 453,688	\$ 457,678

Additional information on the City of Jackson's capital assets can be found in note 4 on pages 64 of this report.

Long-term debt. At the end of the current fiscal year, the City of Jackson had total bonded debt outstanding of \$276 million. Of this amount, \$82 million comprises debt backed by the full faith and credit of the City. The remainder of the City of Jackson's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Jackson's Outstanding Debt General Obligation and Revenue Bonds and Other Loans (amounts expressed in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 80,180	\$ 69,365	\$ 630	\$ 1,205	\$ 80,810	\$ 70,570
Special assessment debt	-	-	-	-	-	-
Revenue bonds	-	-	121,400	132,226	121,400	132,226
Tax increment bonds	1,565	1,890	-	-	1,565	1,890
Special obligation bonds	31,520	35,310	-	-	31,520	35,310
Loans and notes	14,805	12,112	25,873	23,217	40,678	35,329
Total	\$ 128,070	\$ 118,677	\$ 147,903	\$ 156,648	\$ 275,973	\$ 275,325

The City of Jackson's total debt increased by \$.6 million during the current fiscal year.

During the current fiscal year, the government refinanced some of its existing debt to take advantage of favorable interest rates.

- The City of Jackson issued revenue bonds to refinance previously outstanding revenue bonds.

The bond ratings services from Standard & Poor's and Moody's establish that bonds marketed by the City have favorable investment qualities. Presently, the city has the following ratings:

	Moody's	Standard & Poors
Revenue	A1	A-
General Obligation Bonds	A1	AA-
Urban Renewal Revenue Bonds	A2	A+

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent and 20 percent of its total assessed valuation. The current debt limitation for the City of Jackson, under the 15% and 20% rules, are \$159 million and 212 million, respectfully, which is significantly in excess of the City of Jackson's outstanding general obligation debt.

Additional information on the City of Jackson's long-term debt can be found in note 3 on pages 40-64 of this report.

CITY OF JACKSON, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

- Major revenues sources are expected to remain at existing levels, while costs for public safety continue to escalate.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Jackson's budget for the 2004 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased \$2.7 million. The City of Jackson has appropriated \$1.2 million of this amount for spending in the 2004 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Jackson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Administration, Office of the Director, P.O. Box 17, Jackson, MS, 39205-0017.

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BASIC FINANCIAL STATEMENTS

City of Jackson
Statement of Net Assets
As of September 30, 2003

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Jackson Redevelopment Authority
ASSETS				
Cash and Cash Equivalents	\$ 30,909,931	\$ 27,175,142	\$ 58,085,073	\$ 2,427,897
Investments	33,545,322	65,716,713	99,262,035	-
Accounts Receivable, net	755,013	7,225,655	7,980,668	23,605,280
Other Receivable	3,083,746	60	3,083,806	400,253
Intergovernmental Receivable	8,009,557	545,694	8,555,251	92,591
Deferred charges	905,794	1,290,191	2,195,985	370,285
Special assessment receivable	245,986	-	245,986	-
Internal Balances	2,133,417	(2,133,417)	-	376,466
Inventories	843,583	1,308,942	2,152,525	-
Capital assets:				
Land	14,939,873	1,387,999	16,327,872	6,964,487
Buildings	17,698,005	1,792,442	19,490,447	13,276,861
Improvements other than buildings	-	410,690	410,690	7,001,219
Automotive and equipment	19,068,597	21,753,615	40,822,212	25,990
Infrastructure	75,701,464	210,794,520	286,495,984	-
Construction in progress	51,581,825	38,628,227	90,210,052	19,625,551
Total assets	<u>259,422,113</u>	<u>375,896,473</u>	<u>635,318,586</u>	<u>76,802,096</u>
LIABILITIES				
Liabilities:				
Accounts Payable	5,162,302	4,918,822	10,081,124	154,720
Contracts and Retainage Payable	142,166	-	142,166	-
Accrued interest payable	1,184,436	363,567	1,548,003	940,533
Deferred revenue	2,599,654	-	2,599,654	-
Liabilities payable from restricted assets	-	3,504,777	3,504,777	-
Other liabilities	3,714,179	47,293	3,761,472	548,817
Noncurrent liabilities:				
Due within one year	19,191,163	8,514,144	27,705,307	7,834,177
Due in more than one year	115,099,513	143,542,716	258,642,229	40,635,245
Total liabilities	<u>147,093,413</u>	<u>160,891,319</u>	<u>307,984,732</u>	<u>50,113,492</u>
NET ASSETS				
Invested in capital assets, net of related debt	95,360,291	122,710,633	218,070,924	24,741,931
Restricted for:				
Debt service	-	(125,132,302)	(125,132,302)	-
Other purposes	(1,876,092)	-	(1,876,092)	239,193
Designated for contingencies	1,400,000	-	1,400,000	-
Unrestricted	17,444,501	217,426,824	234,871,325	1,707,480
Total net assets	<u>112,328,700</u>	<u>215,005,155</u>	<u>327,333,855</u>	<u>26,688,604</u>
Total liabilities and net assets	<u>\$ 259,422,113</u>	<u>\$ 375,896,473</u>	<u>\$ 635,318,586</u>	<u>\$ 76,802,096</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Activities
For the year ended September 30, 2003

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Primary Government		Component Unit Jackson Redevelopment Authority
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 30,228,282	\$ 6,805,308	\$ 132,707	\$ -	(23,290,267)	\$ -	(23,290,267) \$
Public safety	51,657,300	3,581,698	2,946,681	-	(45,128,921)	-	(45,128,921) -
Public works	16,815,282	765,500	300,329	4,567,155	(11,182,298)	-	(11,182,298) -
Human and cultural services	11,993,537	742,473	2,399,556	-	(8,851,508)	-	(8,851,508) -
Employee benefits	3,359,276	222,783	6,794,436	6,306,267	9,964,210	-	9,964,210 -
Interest on long-term debt	6,253,524	-	-	-	(6,253,524)	-	(6,253,524) -
Total governmental activities	120,307,201	12,117,762	12,573,709	10,873,422	(84,742,308)	-	(84,742,308) -
Business-type activities:							
Water/Sewer	44,396,433	43,627,972	217,199	-	(551,262)	(551,262)	(551,262) -
Transportation	5,739,870	524,819	1,254,740	-	(3,960,311)	(3,960,311)	(3,960,311) -
Sanitation	9,075,122	7,668,776	153,583	-	(1,252,763)	(1,252,763)	(1,252,763) -
Total business-type activities	59,211,425	51,821,567	1,625,522	-	(5,764,336)	(5,764,336)	(5,764,336) -
Total primary government	\$ 179,518,626	\$ 63,939,329	\$ 14,199,231	\$ 10,873,422	(84,742,308)	\$ (5,764,336)	(90,506,644) \$
Component units:							
Jackson Redevelopment Authority	\$ 5,380,470	\$ 3,888,193	\$ 1,135,204	\$ 6,495,829	-	-	\$ 6,138,756
Total component units	\$ 5,380,470	\$ 3,888,193	\$ 1,135,204	\$ 6,495,829	-	-	\$ 6,138,756
General revenues:							
Property taxes					63,954,714	-	63,954,714 -
Sales taxes					35,096,974	-	35,096,974 -
Franchise taxes					10,692,318	-	10,692,318 -
Grants and contributions not restricted to specific programs					291,705	291,705	291,705 -
Unrestricted investment earnings					-	1,424,397	1,424,397 35,146
Gain on sale of capital assets					77,935	(21,866,911)	(21,788,976) 169,500
Gain or loss on non-capital asset					16,447	-	16,447 (151,876)
Transfers					(4,511,943)	4,511,943	-
Total general revenues, special items, and transfers					105,618,149	(15,930,571)	89,687,578 52,770
Change in net assets					20,875,841	(21,694,907)	(819,066) 6,191,526
Net assets - beginning					77,509,488	236,700,062	314,209,550 20,497,078
Prior period adjustment					13,943,371	-	13,943,371 -
Net assets - beginning as restated					91,452,859	236,700,062	328,152,921 20,497,078
Net assets - ending					112,328,700	215,005,155	327,333,855 26,688,604

**City of Jackson
Balance Sheet
Governmental Funds
As of September 30, 2003**

	General Fund	Debt Service	Improvement Fund	1998 GO Bond	2003 GO Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 10,401,183	\$ 866,731	\$ 1,928,943	\$ 4,871,491	\$ 6,932,198	\$ 5,683,355	\$ 30,683,902
Investments	4,848,302	-	765,000	12,467,253	12,423,128	3,041,638	33,545,322
Accounts Receivable, net	-	11,812	28,825	-	-	120,828	161,465
Other Receivable	2,893,279	-	81,489	29,319	31,068	15,888	3,051,043
Intergovernmental Receivable	3,013,541	-	3,323,976	-	19,621	1,652,418	8,009,557
Deferred charges	207,500	-	-	-	-	-	207,500
Special assessment receivable	-	245,986	-	-	-	-	245,986
Due from other funds	2,449,255	-	300,000	-	-	-	2,749,255
Inventories	843,583	-	-	-	-	-	843,583
Total assets	<u>\$ 24,656,643</u>	<u>\$ 1,124,529</u>	<u>\$ 6,428,233</u>	<u>\$ 17,368,063</u>	<u>\$ 19,406,015</u>	<u>\$ 10,514,128</u>	<u>\$ 79,497,611</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 1,905,875	\$ 1,821	\$ 634,896	\$ 98,724	\$ 112,194	\$ 1,056,953	\$ 3,810,463
Contracts and Retainage Payable	-	-	2,985	-	-	139,181	142,166
Due to other funds	-	300,000	55,000	-	-	260,838	615,838
Interest payable	-	-	-	-	-	-	-
Deferred revenue	1,385,196	253,594	15,538	-	-	945,325	2,599,654
Other liabilities	2,841,609	118,005	739,228	-	-	14,632	3,713,474
Total liabilities	<u>6,132,680</u>	<u>673,420</u>	<u>1,447,647</u>	<u>98,724</u>	<u>112,194</u>	<u>2,416,929</u>	<u>10,881,594</u>
Fund Balances							
Reserved for:							
Encumbrances	-	-	-	-	-	-	-
Inventories	843,583	-	-	-	-	-	843,583
State tort claims	2,719,675	-	-	-	-	-	2,719,675
Debt service	-	451,109	-	-	-	-	451,109
Unreserved, reported in							
General fund	13,560,705	-	-	-	-	-	13,560,705
Special revenue funds	-	-	4,980,586	-	-	3,397,139	8,377,724
Capital projects funds	-	-	-	17,269,339	19,293,821	4,700,060	41,263,221
Designated for contingencies	1,400,000	-	-	-	-	-	1,400,000
Total fund balances	<u>18,523,963</u>	<u>451,109</u>	<u>4,980,586</u>	<u>17,269,339</u>	<u>19,293,821</u>	<u>8,097,199</u>	<u>68,616,017</u>
Total liabilities and fund balances	<u>\$ 24,656,643</u>	<u>\$ 1,124,529</u>	<u>\$ 6,428,233</u>	<u>\$ 17,368,063</u>	<u>\$ 19,406,015</u>	<u>\$ 10,514,128</u>	<u>\$ 79,497,611</u>
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds							178,989,764
Other long-term assets are not available for to pay for current-period expenditures, and, therefore are deferred in the funds							1,105,808
The internal service fund is used to account for the group benefit plan.							
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets							30,220
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.							(136,413,109)
Net assets of governmental activities							<u>\$ 112,328,700</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
As of September 30, 2003

	<u>General Fund</u>	<u>Debt Service</u>	<u>Improvement Fund</u>	<u>1998 GO Bond</u>	<u>2003 GO Bond</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
General property taxes	\$ 41,660,451	\$ 10,489,497	\$ 786,732	\$ -	\$ -	\$ 7,475,103	\$ 60,411,783
Licenses and permits	2,353,168	-	-	-	-	-	2,353,168
Intergovernmental	39,781,176	317,237	11,194,710	-	50,017	11,253,062	62,596,202
Fines and forfeitures	3,006,807	-	-	-	-	-	3,006,807
Special assessments	-	37,515	-	-	-	-	37,515
Admissions, fees, rentals and concessions	2,429,257	-	-	-	-	427,579	2,856,836
Interest	202,732	121,269	26,337	261,320	165,543	127,192	904,393
Other	12,367,815	1,538,306	636,750	-	-	541,712	15,084,583
Total revenues	<u>101,801,406</u>	<u>12,503,824</u>	<u>12,644,529</u>	<u>261,320</u>	<u>215,560</u>	<u>19,824,648</u>	<u>147,251,287</u>
EXPENDITURES							
Current:							
General government	21,580,501	-	1,316,396	-	-	515,089	23,411,986
Public safety	52,402,843	-	-	-	-	1,364,125	53,766,968
Public works	11,425,736	-	11,222,041	2,034,374	898,200	1,423,548	27,003,899
Human and Cultural services	4,051,029	-	692,005	348,233	23,539	6,655,385	11,770,191
Employee benefits	3,245,537	-	-	-	-	301,115	3,546,652
Miscellaneous	476,744	449,609	-	-	-	8,090,829	9,017,182
Debt Service:							
Principal	-	9,510,000	-	-	-	3,790,000	13,300,000
Interest and service charges	-	3,966,699	-	-	-	2,294,867	6,261,566
Capital outlay:							
Public works	-	-	10,208	-	-	1,070,071	1,080,279
Total expenditures	<u>93,182,390</u>	<u>13,926,308</u>	<u>13,240,650</u>	<u>2,382,607</u>	<u>921,739</u>	<u>25,505,029</u>	<u>149,158,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,619,016</u>	<u>(1,422,484)</u>	<u>(596,121)</u>	<u>(2,121,287)</u>	<u>(706,179)</u>	<u>(5,680,381)</u>	<u>(1,907,436)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	630,049	11,626,053	764,200	9,500	-	4,298,349	17,328,151
Transfers out	(10,581,492)	(11,654,555)	-	-	-	(9,500)	(22,245,547)
Transfer out - Component Unit	(1,135,204)	-	-	-	-	-	(1,135,204)
Proceeds from capital leases	5,203,523	-	-	-	-	-	5,203,523
Sale of Bonds	-	-	-	-	20,000,000	-	20,000,000
Total other financing sources (uses)	<u>(5,883,124)</u>	<u>(28,502)</u>	<u>764,200</u>	<u>9,500</u>	<u>20,000,000</u>	<u>4,288,849</u>	<u>19,150,923</u>
Net change in fund balances	2,735,892	(1,450,986)	168,079	(2,111,787)	19,293,821	(1,391,532)	17,243,487
Fund balances at beginning of year	15,788,069	1,902,095	4,812,508	19,381,127	-	9,489,144	51,372,943
Fund balances at end of year	<u>\$ 18,523,961</u>	<u>\$ 451,109</u>	<u>\$ 4,980,587</u>	<u>\$ 17,269,340</u>	<u>\$ 19,293,821</u>	<u>\$ 8,097,612</u>	<u>\$ 68,616,430</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Reconciliation of the Statement of Revenue
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2003

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$17,243,487
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	10,702,089
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, Trade-ins, and donations) is to increase net assets.	(64,784)
Revenues reported in the funds that provide current financial resources that were reported as revenues in the statement of activities in prior year	(775,021)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to Governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,112,167)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,738,842
Internal service funds are used by management to account for the accumulation of revenues to be used to fund liabilities and payments of the City's group benefit plan.	<u>(856,605)</u>
Change in the net assets of governmental activities	<u><u>\$20,875,841</u></u>

The notes to the financial statements are an integral part of this statement

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2003

	Budget Amount			
	Original	Final	Actual Amounts	Variance with Final Budget- postive(negative)
Revenues:				
General property taxes				
Current realty taxes	\$ 22,122,500	\$ 22,655,000	\$ 22,657,874	\$ 2,874
Current personal taxes	11,869,865	11,280,000	11,410,003	130,003
Ad valorem taxes on automobiles	5,604,130	5,700,000	5,728,729	28,729
Motor Vehicle Renal Tax	680,000	600,000	598,561	(1,439)
Delinquent taxes	85,000	230,000	297,087	67,087
Interest on current taxes	300,000	500,000	522,345	22,345
Interest on delinquent taxes	200,000	195,000	332,144	137,144
Community improvement	50,000	68,000	113,707	45,707
Rail Car Taxes	30,000	30,000	-	(30,000)
Total general property taxes	40,941,495	41,258,000	41,660,450	402,450
Licenses and permits				
Privilege licenses	410,000	410,000	371,628	(38,372)
Building permits	600,000	600,000	501,954	(98,046)
Air conditioning and duct permits	50,000	50,000	33,851	(16,149)
Plumbing permits	60,000	60,000	37,614	(22,386)
Electric permits	100,000	100,000	80,719	(19,281)
Gas Permits	70,000	70,000	52,386	(17,614)
Historic preservation application	1,000	1,000	530	(470)
Landscape permits	2,700	2,700	740	(1,960)
Dance hall and other recreational fees	25,000	10,000	7,405	(2,595)
Massage parlor and pool hall permits	1,750	-	-	-
Landfill charges	1,050,000	1,050,000	994,994	(55,006)
Taxicab license fees	2,000	2,000	2,775	775
Sign permits	167,000	165,000	166,903	1,903
Zoning permits	45,000	45,000	38,871	(6,129)
Combustible and flammable liquid permits	4,000	7,600	8,720	1,120
Fireworks Display Permit	500	500	450	(50)
Aircraft registration	8,500	8,500	6,025	(2,475)
Transit Merchants-Peddlers License	6,000	6,000	4,325	(1,675)
Boarding, Lodging-Licenses	1,000	1,000	1,155	155
Adult entertainment-and License	40,000	40,000	38,263	(1,737)
Special event fee	1,000	1,000	860	(140)
SOB License-Planning	1,000	1,000	400	(600)
Annual vehicle inspecton	4,000	4,000	2,600	(1,400)
Total licenses and permits	2,650,450	2,635,300	2,353,168	(282,132)

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - (continued)
For the Year Ended September 30, 2003

	Budget Amount			
	Original	Final	Actual Amounts	Variance with Final Budget- postive(negative)
Revenues (Continued):				
Intergovernmental Revenues:				
State Grants and Shared Revenues:				
Alcohol permits	\$ 236,000	\$ 236,000	\$ 248,625	\$ 12,625
Gasoline Tax	32,000	32,000	30,615	(1,385)
Municipal revolving fund	116,000	116,000	96,040	(19,960)
State reimb training academy	150,000	150,000	72,000	(78,000)
State fire protection	784,883	832,827	832,827	-
Sales tax	36,000,000	35,100,000	35,096,974	(3,026)
Bus & truck privilege tax	615,000	615,000	585,466	(29,534)
Jackson Convention & Visitors	-	16,000	6,330	(9,670)
MS-Domestic Violence Grant	40,000	40,000	-	(40,000)
Homestead exemption	1,320,000	1,272,000	1,271,614	(386)
Total state grants shared revenues	39,293,883	38,409,827	38,240,491	(169,336)
Federal and State Grants and Shared Revenues:				
Weapons of Mass Destruction	100,000	280,000	151,439	(128,561)
HITDA Grant	30,000	24,454	20,558	(3,896)
COPS- Universal Hire	337,302	232,500	214,683	(17,817)
Dept of Justice-Weed & Seed	225,000	142,400	102,314	(40,086)
MDOT Summer Youth reimbursement	20,000	35,000	34,995	(5)
Police Overtime-FBI	-	20,000	48,490	28,490
Dept. of Justice-Problem Solving	-	11,260	11,260	-
Historic Preservation	10,000	20,000	20,632	632
Total federal and state shared revenues	722,302	765,614	604,371	(161,243)
County Revenues:				
Pro rata road tax	1,000,000	1,000,000	925,814	(74,186)
Smith Robertson Museum	10,000	10,500	10,500	-
Hinds County 911	-	65,900	-	(65,900)
Total county revenue	1,010,000	1,076,400	936,314	(140,086)
Total intergovernmental revenues	41,026,185	40,251,841	39,781,176	(470,665)
Fines and Forfeitures:				
Court & misdemeador fines	1,386,000	1,199,000	1,115,775	(83,225)
Vehicle parking fines	250,000	175,000	148,652	(26,348)
Moving traffic violations	1,550,000	1,300,000	1,262,043	(37,957)
City court costs	115,000	95,000	25,922	(69,078)
Bad check fee and Warrant fee	333,000	335,000	250,493	(84,507)
Motor Vehicle Liability	5,000	-	-	-
Animal control citations	5,000	5,000	5,260	260
Municipal court computer	30,000	30,000	24,173	(5,827)
Municipal court drivers impr fee	25,000	30,000	35,490	5,490
Daily storage fee-vehicle	40,000	40,000	28,611	(11,389)
Parking - Boot fee	5,000	5,000	600	(4,400)
False alarm penalty fee	5,000	5,000	-	(5,000)
Wrecker fees	160,000	100,000	109,789	9,789
Total fines and forfeitures	3,909,000	3,319,000	3,006,808	(312,192)

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - (continued)
For the Year Ended September 30, 2003

	Budget Amount			
	Original	Final	Actual Amounts	Variance with Final Budget-postive(negative)
Revenues (Continued):				
Admissions, Fees, Rentals and Concessions:				
Parking meters	\$ 460,000	\$ 425,000	\$ 409,322	\$ (15,678)
Municipal Auditorium:				
Rentals	133,500	126,500	111,108	(15,392)
Concessions	5,000	2,000	1,685	(315)
Local record fee	6,000	6,000	5,138	(862)
Pistol Range rent	1,500	1,500	1,246	(254)
Outdoor adversting	25,000	15,000	15,351	351
Fire Water flow test fee	1,000	3,100	4,345	1,245
Fire Reports	2,000	2,500	2,750	250
Accident report fee	65,000	70,000	76,303	6,303
Background check fee	26,000	25,000	22,199	(2,801)
Bail bondsman mug shot fee	750	750	425	(325)
Bail bondsman ID card	600	600	440	(160)
Fingerprinting	3,200	12,000	12,236	236
Verification of records	27,000	27,000	26,463	(537)
Rents & Royalties	275,000	312,000	304,600	(7,400)
Ceramics Income	1,000	1,000	-	(1,000)
Tower Rentals	1,123,000	1,181,250	1,240,458	59,208
Taxicab Mugshot Fee	-	-	87	87
Arts Center:				
Donations	3,000	3,000	370	(2,630)
Admissions, rents and royalties	800	500	305	(195)
Community room rent	16,000	16,000	15,540	(460)
Concessions	500	800	730	(70)
Planetarium:				
Admissions,Discovery Shop, etc.	173,000	164,000	158,431	(5,569)
Senior Centers Reservation Fee	15,000	15,000	7,227	(7,773)
Smith Robertson Museum:				
Donations	500	500	128	(372)
Admissions, rental	9,000	11,500	12,370	870
Total admissions and rentals	2,373,350	2,422,500	2,429,257	6,757
Interest:				
Earned on investments	111,515	156,515	96,406	(60,109)
Earned on accounts	235,500	135,500	106,326	(29,174)
Total interest earned	347,015	292,015	202,732	(89,283)

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - (continued)
For the Year Ended September 30, 2003

	<u>Budget Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (Continued):				
Other Revenues:				
Public utility	\$ 3,950,000	\$ 4,283,770	\$ 4,283,770	\$ -
Franchise cable television	1,500,000	1,500,000	1,376,241	(123,759)
Water Sewer Franchise Fee	-	922,645	922,645	-
Nuclear power plant	1,690,000	1,657,923	1,657,923	-
In-lieu-of property tax	235,000	235,000	200,000	(35,000)
Sale of cemetery lots	20,000	10,000	8,800	(1,200)
Sale of fixed assets	570,000	470,000	364,381	(105,619)
Small animal control	20,000	20,000	11,407	(8,593)
Police-sale of weapons	2,000	5,000	3,993	(1,007)
Parking fee-City employees	16,500	10,000	4,054	(5,946)
Police	20,000	5,000	553	(4,447)
National Police Shooters Championship	74,450	99,500	95,465	(4,035)
Indirect cost	1,000,000	2,150,000	2,172,211	22,211
Street index books	1,250	1,250	8	(1,242)
Police-JKS authority contract	35,000	35,000	21,932	(13,068)
Youth Court	500	-	-	-
Permit department	54,000	54,000	53,615	(385)
Rabies vaccination	1,500	1,500	834	(666)
Plumbing exam	100	100	30	(70)
Electrical exam	2,000	2,500	2,690	190
Penalty on demo/grass/weeds	200	200	-	(200)
Cemeteries-openings/closings	35,000	35,000	22,275	(12,725)
Sale of scrap metal	1,000	1,000	-	(1,000)
Site plan review planning	12,000	10,000	5,056	(4,944)
Construction plan review	5,000	5,000	2,286	(2,714)
Other departments	3,000	3,000	94,009	91,009
Cafeteria plan-flexible spending	119,500	119,500	98,612	(20,888)
Administrative fee-payroll deductions	4,000	4,000	4,322	322
Sale of maps, plans, and specifications	6,500	6,500	3,681	(2,819)
Legal/City Clerk/Finance and Management	12,000	12,000	34,607	22,607
Telecommunications	500	500	150	(350)
Donations - Nat'l Conf Black Mayors	-	50,000	18,061	(31,939)
Fire department	-	-	1,376	1,376
Sale of CAFR, Budgets & Directories	200	200	33	(167)
I.D. Badge fee-city employee	-	-	200	200
Abstract fees	10,000	10,000	2,115	(7,885)
Pay phones in City Jail	10,000	-	-	-
Proceeds from assets and forfeitures	260,000	585,000	575,376	(9,624)
P E G Revenue	151,000	151,000	325,103	174,103
Other	228,000	208,000	-	(208,000)
Total other revenues	10,050,200	12,664,088	12,367,814	(296,274)
Total revenues	101,297,695	102,842,744	101,801,405	(1,041,339)

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - (continued)
For the Year Ended September 30, 2003

	<u>Budget Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current Operations:				
General Government				
Administration and Intra-governmental				
Personnel services	\$ 9,370,932	\$ 9,315,309	\$ 9,031,517	\$ 283,792
Supplies	318,037	607,124	289,503	317,621
Other services and charges	3,426,268	4,910,467	4,166,239	744,228
Capital outlay	1,295,800	2,083,245	934,355	1,148,890
Total Department of Administration	14,411,037	16,916,145	14,421,614	2,494,531
Personnel				
Personnel services	1,114,466	1,100,567	1,078,715	21,852
Supplies	14,250	20,756	16,432	4,324
Other services and charges	431,814	463,561	431,534	32,027
Capital Outlay	-	4,000	1,662	2,338
Total Department of Personnel	1,560,530	1,588,884	1,528,343	60,541
Planning				
Personnel services	2,501,564	2,355,975	2,248,492	107,483
Supplies	70,970	90,553	63,092	27,461
Other services and charges	3,312,880	3,432,731	3,314,211	118,520
Capital Outlay	980	3,636	4,749	(1,113)
Total Department of Planning	5,886,394	5,882,895	5,630,544	252,351
Total General Government	21,857,961	24,387,924	21,580,501	2,807,423
Department of Human and Cultural Services				
Health and Welfare				
Personnel supplies	1,059,371	954,221	943,470	10,751
Supplies	11,439	16,404	16,104	300
Other services and charges	604,460	841,805	766,641	75,164
Capital outlay	322,931	322,931	322,931	-
Total Health and Welfare	1,998,201	2,135,361	2,049,146	86,215
Culture and Recreation				
Personnel services	671,626	688,206	674,435	13,771
Supplies	76,785	98,119	94,036	4,083
Other services and charges	1,372,705	1,212,047	1,170,127	41,920
Capital outlay	63,794	79,609	63,285	16,324
Total Culture and Recreation	2,184,910	2,077,981	2,001,883	76,098
Total Department of Human and Cultural Services	4,183,111	4,213,342	4,051,029	162,313
Department of Public Safety				
Personnel services	43,370,238	43,791,606	43,282,066	509,540
Supplies	1,940,438	2,489,160	2,248,360	240,800
Other services and charges	3,296,929	4,672,904	3,755,410	917,494
Capital outlay	3,795,845	6,149,938	3,117,007	3,032,931
Total Department of Public Safety	52,403,450	57,103,608	52,402,843	4,700,765

City of Jackson
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - (continued)
For the Year Ended September 30, 2003

	<u>Budget Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- positive(negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued):				
Department of Public Works				
Personnel services	\$ 8,140,418	\$ 7,583,908	\$ 7,457,974	\$ 125,934
Supplies	1,412,458	1,572,425	1,477,671	94,754
Other services and charges	1,725,072	1,904,999	1,824,604	80,395
Capital outlay	216,450	1,054,421	665,487	388,934
Total Department of Public Works	<u>11,494,398</u>	<u>12,115,753</u>	<u>11,425,736</u>	<u>690,017</u>
Miscellaneous				
Supplies				-
Other services and charges	905,000	488,744	476,744	12,000
Total Miscellaneous	<u>905,000</u>	<u>488,744</u>	<u>476,744</u>	<u>12,000</u>
Employee Benefits				
Supplies	50,000	82,000	83,951	(1,951)
Other services and charges	5,711,500	6,139,212	3,161,586	2,977,626
Total Employee Benefits	<u>5,761,500</u>	<u>6,221,212</u>	<u>3,245,537</u>	<u>2,975,675</u>
Total expenditures	<u>96,605,420</u>	<u>104,530,583</u>	<u>93,182,390</u>	<u>11,348,193</u>
Excess(deficiency) of revenues over expenditures	4,692,275	(1,687,839)	8,619,015	(10,306,854)
Other Financing Sources(Uses)				
Transfers in	1,630,000	630,000	630,049	(49)
Transfers out	(10,935,188)	(10,950,850)	(10,581,492)	(369,358)
Transfer out-Component Unit	(1,135,204)	(1,135,204)	(1,135,204)	-
Proceeds from long term debt	1,600,000	5,887,508	5,203,523	683,985
Total other financing sources(uses)	<u>(8,840,392)</u>	<u>(5,568,546)</u>	<u>(5,883,124)</u>	<u>314,578</u>
Net change in fund balance	(4,148,117)	(7,256,385)	2,735,891	(9,992,276)
Fund balances at beginning of year	15,788,069	15,788,069	15,788,069	-
Fund balances at end of year	<u>\$ 11,639,952</u>	<u>\$ 8,531,684</u>	<u>\$ 18,523,960</u>	<u>\$ 9,992,276</u>

The notes to the financial statements are an ingral part of this statement.

City of Jackson
Statement of Net Assets
Proprietary Funds
As of September 30, 2003

	Water/Sewage Disposal System	Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Fund
Assets				
Cash and Cash Equivalent	\$ 24,666,926	\$ 2,508,216	\$ 27,175,142	\$ 226,029
Accounts receivable, less allowances for Sanitation and Recycling Fund	6,139,372	1,086,283	7,225,655	186,034
Investments	65,316,853	399,860	65,716,713	-
Intergovernmental Receivable	-	545,694	545,694	-
Other Receivable	-	60	60	32,704
Inventories	1,308,942	-	1,308,942	-
Due from Other Funds	1,347,840	198,174	1,546,014	-
Total Assets	98,779,933	4,738,287	103,518,220	444,767
Deferred charges - bond costs	1,290,191	-	1,290,191	-
Property, Plant and Equipment, at Cost				
Land	1,387,999	-	1,387,999	-
Buildings	43,209	1,679,583	1,722,792	-
Water plant, distribution system and equipment	351,110,547	864,534	351,975,081	-
Automotive and other equipment	11,212,223	10,541,392	21,753,615	-
	363,753,978	13,085,509	376,839,487	-
Less: accumulated depreciation	(132,668,985)	(8,100,885)	(140,769,870)	-
	231,084,993	4,984,624	236,069,617	-
Construction in progress	38,614,427	13,800	38,628,227	-
Net property, plant and equipment	269,699,420	4,998,424	274,697,844	-
Total Assets	\$ 369,769,546	\$ 9,736,710	\$ 379,506,256	\$ 444,767

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Net Assets
Proprietary Funds
As of September 30, 2003

	<u>Water/Sewage Disposal System</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
Liabilities and Fund Equity				
Current Liabilities:				
Accounts/Claims Payable	\$ 3,923,581	\$ 995,241	\$ 4,918,822	\$ 413,842
Due to other funds	198,174	3,481,257	3,679,431	-
Current portion of long term debt:				
Lease Obligations	985,057	310,926	1,295,983	-
General Obligation Bonds	4,290,000	-	4,290,000	-
State Air and Water Loan	39,345	-	39,345	-
State Department of Environmental Quality	1,143,816	-	1,143,816	-
Other	50,537	(3,243)	47,294	705
Total current liabilities	<u>10,630,510</u>	<u>4,784,181</u>	<u>15,414,691</u>	<u>414,547</u>
Current Liabilities Payable from Restricted Assets:				
Customer Deposits	3,504,777	-	3,504,777	-
Accrued Interest Payable	363,567	-	363,567	-
Current portion of revenue bonds	1,745,000	-	1,745,000	-
Total current liabilities payable from restricted assets	<u>5,613,344</u>	<u>-</u>	<u>5,613,344</u>	<u>-</u>
Long Term Debt (less amounts classified as current liabilities):				
Revenue bonds (net of unamortized				
discount/premium	121,113,768	-	121,113,768	-
General Obligation Bonds	-	-	-	-
Lease obligation	1,063,671	810,553	1,874,224	-
State Air and Water Loan	5,820	-	5,820	-
State Department of Environmental Quality	20,548,905	-	20,548,905	-
Total long-term debt	<u>142,732,164</u>	<u>810,553</u>	<u>143,542,717</u>	<u>-</u>
Total liabilities	<u>158,976,018</u>	<u>5,594,734</u>	<u>164,570,752</u>	<u>414,547</u>
Net Assets				
Invested in Capital Assets, net of related debt	118,764,038	3,876,945	122,640,983	-
Restricted for debt service	(125,132,302)	-	(125,132,302)	-
Unrestricted	217,161,792	265,031	217,426,823	30,220
Total Net Assets	<u>210,793,528</u>	<u>4,141,976</u>	<u>214,935,504</u>	<u>30,220</u>
Total liabilities and net assets	<u><u>\$ 369,769,546</u></u>	<u><u>\$ 9,736,710</u></u>	<u><u>\$ 379,506,256</u></u>	<u><u>\$ 444,767</u></u>

The notes in the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
As of September 30, 2003

	Water/Sewage Disposal System	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Fund
Operating Revenues:				
Sales to Customers	\$ 42,759,757	\$ 9,061,810	\$ 51,821,567	\$ -
Contributions	-	-	-	5,585,032
Contributions - City Match	-	-	-	2,816,961
Other Revenues	217,199	1,408,323	1,625,522	34,230
Total Operating revenues	<u>42,976,956</u>	<u>10,470,133</u>	<u>53,447,089</u>	<u>8,436,223</u>
Operating Expenses:				
Personnel Services	8,382,649	965,053	9,347,702	-
Supplies	2,618,020	461,665	3,079,685	-
Other services and charges	16,407,918	12,738,556	29,146,474	9,294,812
Depreciation	8,281,940	733,778	9,015,718	-
Total Operating Expenses	<u>35,690,527</u>	<u>14,899,052</u>	<u>50,589,579</u>	<u>9,294,812</u>
Operating Income (Loss)	<u>7,286,429</u>	<u>(4,428,919)</u>	<u>2,857,510</u>	<u>(858,589)</u>
Nonoperating Revenues (Expenses):				
Interest revenue	1,410,467	13,930	1,424,397	1,984
Interest and service charges on long term debt and capitalized lease obligations	(8,548,481)	-	(8,548,481)	-
Gain (loss) on sale of fixed assets	(21,867,085)	174	(21,866,911)	-
Bond issuance cost	(73,365)	-	(73,365)	-
Total nonoperating revenues (expenses)	<u>(29,078,464)</u>	<u>14,104</u>	<u>(29,064,360)</u>	<u>1,984</u>
Income (loss) before contributions and transfers	<u>(21,792,035)</u>	<u>(4,414,815)</u>	<u>(26,206,850)</u>	<u>(856,605)</u>
Transfers In:				
General Fund	106,000	5,035,943	5,141,943	800,000
Transfers Out:				
General Fund	(630,000)	-	(630,000)	-
Total operating transfers in (out)	<u>(524,000)</u>	<u>5,035,943</u>	<u>4,511,943</u>	<u>800,000</u>
Change in Net Assets	<u>(22,316,035)</u>	<u>621,128</u>	<u>(21,694,907)</u>	<u>(56,605)</u>
Total net assets - beginning	233,109,563	3,520,850	236,700,062	86,825
Total net assets ending	<u><u>\$ 210,793,528</u></u>	<u><u>\$ 4,141,976</u></u>	<u><u>\$ 215,005,155</u></u>	<u><u>\$ 30,220</u></u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Cash Flows
Proprietary Funds
As of September 30, 2003

	Water/Sewer Disposal System	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 46,552,467	\$ 8,957,555	\$ 55,510,022	\$ 8,830,828
Receipts from Interfund Services Provided	1,234,595	-	1,234,595	-
Receipts from other revenue	498,044	2,066,983	2,565,027	-
Payments to Suppliers	(19,363,391)	(12,873,499)	(32,236,891)	(9,540,133)
Payments to employees	(8,382,649)	(965,053)	(9,347,702)	-
Payments for Interfund Services Used	(1,234,595)	-	(1,234,595)	-
Net Cash Provided by (used for)				
Operating activities	19,304,470	(2,814,014)	16,490,456	(709,305)
Cash Flows from Noncapital Financing Activities				
Transfers In	106,000	5,035,943	5,141,943	800,000
Transfers Out	(630,000)	-	(630,000)	-
Net Cash Provided by (Used for) Noncapital financing activities)	(524,000)	5,035,943	4,511,943	800,000
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(9,426,351)	(70,371)	(9,496,722)	-
Proceeds from sales of capital assets	39,700	174	39,874	-
Proceeds from capital leases	532,557	68,846	601,403	-
Proceeds from revenue bonds	43,832,367	-	43,832,367	-
Proceeds from DEQ	794,880	-	794,880	-
Principal paid on capital debt	(49,659,300)	(297,799)	(49,957,099)	-
Interest paid on capital debt	(8,613,622)	-	(8,613,622)	-
Bond Issuance Cost	(73,365)	-	(73,365)	-
Net cash used for capital and related financing activities	(22,573,134)	(299,150)	(22,872,284)	-
Cash flow provided by (used for) investing activities:				
Purchase of investment securities	(247,710,227)	(2,939,529)	(250,649,756)	-
Proceeds from sale and maturities of investment securities	211,636,163	2,539,669	214,175,832	-
Interest on investments	1,410,467	13,930	1,424,397	1,984
Net cash provided by investing activities	(34,663,597)	(385,930)	(35,049,527)	1,984
Net increase (decrease) in cash and cash equivalents	(38,456,260)	1,536,849	(36,919,412)	92,679
Cash and cash equivalents at beginning of year	63,123,186	971,368	64,094,554	133,350
Cash and cash equivalents at end of year	\$ 24,666,926	\$ 2,508,216	\$ 27,175,142	\$ 226,029

City of Jackson
Statement of Cash Flows
Proprietary Funds
As of September 30, 2003

	Water/Sewer Disposal System	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Fund
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 8,880,885	\$ (4,497,766)	\$ 4,383,120	\$ (858,590)
Depreciation expense	8,281,940	733,778	9,015,718	-
(Increase) decrease in accounts receivable, net	3,268,452	(130,365)	3,138,087	(48,023)
Increase (decrease) in inventories	107,276	-	107,276	-
(Increase) decrease in other receivable	717,363	753,616	1,470,979	442,626
(Increase) decrease in accrued interest				
(Increase) decrease in due from other funds	1,234,595	-	1,234,595	-
Increase (decrease) in accounts payable	(1,926,695)	326,723	(1,599,972)	(99,021)
Increase (decrease) in contracts and retainage payable	-	-	-	-
Increase (decrease) in customer deposits	87,739	-	87,739	-
Increase (decrease) in due to other funds	(1,234,595)	-	(1,234,595)	-
Increase (decrease) in accrued interest payable				
Increase (decrease) in other liabilities	(112,491)	-	(112,491)	(146,297)
Total adjustments	<u>10,423,584</u>	<u>1,683,752</u>	<u>12,107,336</u>	<u>149,285</u>
Net cash provided by operating activities	<u>\$ 19,304,470</u>	<u>\$ (2,814,014)</u>	<u>\$ 16,490,456</u>	<u>\$ (709,305)</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 1 - Summary of Significant Accounting Policies:

A. REPORTING ENTITY

The City of Jackson, Mississippi, (the City) is incorporated under the Laws of the State of Mississippi. The City operates under the Mayor-Council form of government with a full-time Mayor elected from the City at large and seven part-time Council members (City Council) elected from wards. The City's major operations include police and fire protection, parks and recreation, public works, public transit system, urban development and general administrative services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In evaluating the City as a reporting entity, management has addressed potential component units for which the City may or may not be financially accountable and as such, be includible within the City's financial statements. The component unit discussed below is included because of the significance of its operational or financial relationships with the City.

Discretely Presented Component Unit

Using the criteria above, management has determined that the Jackson Redevelopment Authority (JRA) should be reported as a discretely presented component unit of the City. The discretely presented component unit is reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The following is a summary of the City's discretely presented component unit.

The Jackson Redevelopment Authority (JRA) was established in 1968 under Section 43-35-1 through 235 of the Mississippi Code of 1942, as annotated. In 1970, JRA became the Parking Authority for the City under the same statute. The Mayor of the City makes appointments to a seven-member Board of Commissioners for staggered five-year terms to oversee the operations of JRA. Members may be removed from office for inefficiency, neglect of duty or misconduct in office. The City Council appropriates the administrative operating budget and must review and approve any amendments or budgetary adjustments. The City Council is responsible for designation of those urban renewal projects undertaken by JRA. The City makes annual contributions necessary to pay a portion of JRA's urban renewal bonds and has agreed to make payment of substantially all of the outstanding bonds. JRA operates on a September 30 fiscal year and its financial statement data is presented as a proprietary fund type. Complete financial statements for JRA may be obtained at its administrative office located at 218 South President Street, Jackson, Mississippi 39201.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies (Continued):

Related Organizations

The following five agencies are non-profit corporations established within the City of Jackson. The Mayor appoints the board members of each respective agency. Each agency is fiscally independent from the City of Jackson, issues its debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City of Jackson is not obligated in any manner for the debt issues of these agencies. Financial statements for these agencies can be obtained at the following addresses:

Airport Authority
100 International Drive
Jackson, MS 39208

Jackson Redevelopment Authority
218 South President Street
Jackson, MS 39201

Jackson Housing Authority
2747 Livingston Road
Jackson, MS 39213

Jackson Public School District
662 South President Street
Jackson, MS 39201

Metro Jackson Convention & Visitors Bureau
921 North President Street
Jackson, MS 39202

Joint Ventures

The Jackson/Hinds Library System (the System) operates under a joint agreement between the City and Hinds County and is funded equally by the City and the County. The joint agreement was effective October 1, 1986. All buildings used by the System within the City of Jackson are owned and maintained by the City and, as such, have been included in general fixed assets. The Jackson/Hinds Library System's financial statements may be obtained by writing to 300 North State Street, Jackson, MS 39201.

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE AND FUND LEVEL STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water, sewer, and public transit services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on the consolidated basis by column, (b) and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to applicants who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies (Continued):

restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public works, etc.) or a business-type activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The net costs (by function or business-type activities) are normally covered by general revenue (property, sales or gas tax, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect cost. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the changes in the City's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies (Continued):

The City reports the following major government funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other debt of the Enterprise Funds). Bond ordinances require the City to account for debt service transactions in separate funds, restrict the flow of cash between such funds, and comply with various other covenants. For financial statement reporting, the various debt service funds have been combined.

Improvement Fund - This fund is used to account for revenues that are legally restricted for improvements to City facilities.

1998 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$35,000,000 issued to finance certain projects including storm drainage systems, construction of a youth detention center, and repairing buildings.

2003 GO Bond Fund - This fund is used to account for proceeds of general obligation bonds of \$20,000,000 issued to finance certain projects including storm drainage systems, repairing and the construction of municipal buildings, infrastructures, and other related improvements.

The City reports the following major proprietary fund:

Water/Sewage Disposal Fund - This fund accounts for activities associated with the provision of water, sewerage and water pollution control services to individuals, organizations and other governmental units within and around the City.

Additionally, the following fund types are reported by the City:

Governmental Funds:

General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies (Continued):

Proprietary Funds:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (unemployment, private purpose and agency). Since by definition these assets are being held by for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. ASSETS, LIABILITIES AND NET ASSETS AND EQUITY

1. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts, petty cash, and certificates of deposit with a maturity date generally within 90 days of the date acquired by the City. Collateral as further discussed in Note 3, is pledged by the various financial institutions to secure City funds.

2. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies (Continued):

3. Investments

Investments are recorded at fair value in accordance with GASB Statement 31 with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Mississippi obligations, and obligations of a corporation of the U.S. Government.

Securities traded in a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

4. Inventories

Inventories are priced at cost using the weighted average method. Inventories are accounted for using the consumption method and are not charged out until used. Inventories consist of major stores of materials and supplies held at central locations. The user departments and other funds of the City are charged for the cost value of the items as they are withdrawn from inventory.

5. Capital Assets

Capital assets purchased or acquired are carried at historical cost. Contributed assets are recorded at fair market value at the date received. The City's classes of capital assets and their capitalization levels are: land – cost or fair market value, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$500, infrastructure - \$100,000, and construction in progress – based on the project's class. Infrastructure, such as streets and bridges, is capitalized for the first time in fiscal year 2002. The cost of normal maintenance and repair that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Land improvements	20
Heavy machinery and equipment	5-15
Computer equipment	3
Vehicles	3-10
Infrastructure	8-50

Interest is capitalized on proprietary fund assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies (Continued):

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. The proceeds from the sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

GASBS No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The City has elected to implement the general provisions of GASBS No. 34 in the current year and will implement the retroactive infrastructure provisions in the fiscal year ending September 30, 2004.

6. Compensated Absences

The City accrues accumulated unpaid personal leave and associated employee-related cost when earned (or estimate to be earned) by employees up to 240 hours. For the Proprietary Funds and the government-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Funds Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentation.

7. Bond Discounts, Bond Premiums and Issuance Costs

In the government funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue. Bond premiums and discounts are shown as an "Other Financing Sources/Uses".

In the proprietary funds and government-wide financial statements, bond discounts, bond premiums and issuance costs are deferred and amortized over the terms of the bonds outstanding method, which approximate the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bond payable, where issuance costs are recorded as other assets.

8. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near fair market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies (Continued):

9. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations are reported as non-operating revenues based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provided and deferred revenue by the recipient.

10. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

11. Reserves and Designations

Portions of fund equity are segregated for future use and therefore, are not available for future appropriations or expenditure. Amounts reserved for debt service, bond contingency, replacement and improvement, and depreciation represents portions of fund equity which are required to be segregated in accordance with bond resolutions. Amounts designated for unemployment, medical and retirement benefits represent amounts required by state law to be segregated for these purposes. The unreserved designated fund balance of the Capital Projects Funds is appropriated for expenditures in future years. The amount designated for contingencies represents an earmarking of financial resources for the future use by the City to fund estimated loss contingencies.

12. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

13. Pension Expenses

The City funds pension expenses as required by applicable statute. Two plans, funded from both City and employee contributions are described in the Required Supplementary Information section (RSI).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies (Continued):

14. Post-Employment Health Care and Life Insurance Benefits

The City does not incur costs associated with post-employment benefits for retired employees. The City allows all vested employees to continue in the group plan after retirement; however the retired employees pay 100% of the premiums.

15. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Actual results could differ from those estimates.

16. New Accounting Pronouncements

The City will adopt the following new accounting pronouncements in future years:

GASB Statement 39 - This Statement amends Statement 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

Note 2 – Stewardship, Compliance and Accountability

A. BUDGETARY INFORMATION

The City follows these procedures in establishing budgetary data reflected in the financial statements.

1. The Finance Division of the Department of Administration prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the Finance Division of the Department of Administration by June 1 each year.
3. Expenditure budgets are reviewed by the Finance Division of the Department of Administration, and necessary revisions are communicated to department directors.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared by July 1, and presented to the Mayor.
5. The Mayor submits the proposed budget to the City Council by August 1. The final budget is approved by September 15 and must be published in a local newspaper on or before September 30.
6. The budget is formally amended in September each year or any time that budget revisions through funds reallocation are necessary or a budget deficit is indicated.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 2 – Stewardship, Compliance and Accountability (Continued):

7. The City prepares annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Enterprise Funds, Internal Service Fund and Expendable Trust Funds (with the exception of the Charitable Trust Fire and Police Fund). Budgets for the Enterprise Funds are prepared on a GAAP basis but exclude depreciation and bad debt expense and include debt retirement payments. The General Fund, Debt Service Fund, Special Revenue Funds, Capital Projects Funds, Internal Service Fund and Expendable Trust Funds are prepared in accordance with GAAP. Budget and actual comparisons are presented in the accompanying financial statements for all governmental type funds for which a budget is adopted.

During the fiscal year, several adjustments are normally required to the adopted budget. The approved budget may be amended as required in accordance with the following protocol:

- a. Revenues are reviewed at least quarterly, and the projections are adjusted if warranted. These adjustments to expected revenues, if material, can precipitate adjustments to the expenditure budget.
- b. Adjustments to transfer approved expenditure budgets from one department to another or to transfer from one category to another within a department must be approved by the City Council.
- c. All new appropriations must be approved by the City Council and are normally submitted by the Mayor's Office.

The legal level of control for all budgets adopted is at the category level by funds with the exception of the General Fund, which is appropriated at the category level by department. Administrative control for all budgets is maintained through the establishment of more detailed line-item budgets.

Budgetary monitoring is exercised throughout the fiscal year by the Finance Division of the Department of Administration. An adopted budget may not exceed its appropriated level without City Council approval. The Finance Division of the Department of Administration advises the Mayor whenever a requested expenditure will exceed budgeted amounts. The City Council may approve expenditures in excess of budgeted amounts in various funds or departments as appropriate, as long as total annual expenditures do not exceed available resources. Adjustments in expenditure rates, if necessary, are implemented by the City Council as required, so that the total expenditures and resources will remain in balance throughout the year.

8. Budgeted expenditure or expense amounts and other uses as originally adopted were amended by the City Council in September 2003 as provided by law, as follows (in thousands of dollars):

	Originally Adopted Budget	Budget as Amended	Increase (Decrease)
General Fund	\$ 109,111	\$ 116,248	\$ 7,137
Special Revenue Funds	69,121	77,022	7,901
Debt Service Fund	12,937	14,256	1,319
Capital Projects Funds	27,038	48,620	21,582
Enterprise Funds	141,375	151,274	9,899
Internal Service Fund	10,316	10,016	(300)
Expendable Trust Funds	124	124	-
	<u>\$ 370,022</u>	<u>\$ 417,560</u>	<u>\$ 47,538</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 2 – Stewardship, Compliance and Accountability (Continued):

9. Encumbrance accounting, under which executed but unperformed purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and are reappropriated in the next year's budget.
10. Unexpended appropriations lapse at year end in all funds.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City of Jackson had no excess of expenditures over appropriations by individual fund as of September 30, 2003.

C. DEFICIT FUND EQUITY

The City has no deficit fund equity by individual fund as of September 30, 2003..

Note 3 – Detailed notes on all funds

A. Deposits and Investments

1. Policies and Practices

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

A. Deposits and Investments (Continued):

2. Deposits – Primary government

At year end, the carrying amount of the City's deposits was \$58,085,073 and the bank balances totaled \$110,313,300. Of the bank balances, \$200,000 was insured by federal deposit insurance and \$110,113,300 was covered by pooled and/or pledged collateral, as allowed by the Mississippi Code, but not necessary held in the City's name (uncollateralized, risk Category 3).

3. Investments – Primary Government

Investments made by the City are summarized below to give an indication of the level of risk assumed by the City at year end. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

	(In Thousands of Dollars)			Carrying	Fair
	1	2	3	Value	Value
U.S. Government securities	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government agency securities	-	98,926	-	98,926	98,936
	<u>\$ -</u>	<u>\$ 98,926</u>	<u>\$ -</u>	<u>\$ 98,926</u>	<u>\$ 98,936</u>

Following is a list of the City's eligible investments, which in accordance with State statute are limited to the investment of funds in excess of sums required for immediate expenditure or current obligations:

- Certificates of deposit with municipal depositories approved annually by the State Treasurer
- Bonds or direct obligations of the:
 - United States of America
 - State of Mississippi
 - County or Municipality of Mississippi
 - School Districts

State statute allows the investment of funds received from the sale of bonds, notes, or certificates of indebtedness which are not immediately required for disbursement for the purpose issued, in direct obligations issued by or guaranteed in full by the United States of America, or in certificates of deposit with approved municipal depositories.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

A. Deposits and Investments (Continued):

4. Cash and Investments - Component Unit

The component unit's policy is to invest available funds in the following types of investments: 1) direct obligations of the U. S. of America, including such instruments as treasury bills, treasury notes and treasury bonds; 2) obligations of U. S. Government agencies that are deliverable on the Federal Reserve System; 3) Repurchase agreements in U. S. Government securities made with dealers that report to and are regulated by the Federal Reserve Bank; 4) deposits with financial institutions which are insured or are fully collateralized by qualifying securities.

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Mississippi Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depositary Insurance Corporation (FDIC).

As of September 30, 2003, all of the component unit's cash deposits in excess of the amounts covered by the FDIC were either secured by collateral held by custodial institutions in the component unit's name or covered under the collateral pool administered by the State Treasurer as follows:

Bank Balance of Deposits

Insured or collateralized with securities held	
By the State Treasurer	\$ 525,458
Collateralized with securities held by	
The pledging financial institution in the	
Component unit's name	<u>1,093,208</u>
Total bank balance of deposits	1,618,666
Outstanding checks and deposits in transit	<u>4,182</u>
Total cash deposits per financial statements	<u>\$1,622,848</u>

Cash equivalents are reflected at cost which approximates fair value. The component unit's cash equivalents are categorized to give an indication of the level of custodial credit risk assumed by the component unit at year end. Category 1 includes securities that are insured or registered or held by the component unit or its agent, in the component unit's name. Category 2 includes uninsured and unregistered securities held by the counterparty's trust department or agent in the component unit's name. Category 3 includes uninsured and unregistered securities held by the financial institution's trust department or agent but not in the component unit's name.

At September 30, 2003, investments of the component unit consisted of the following:

	<u>Category</u>		
	<u>1</u>	<u>2</u>	<u>3</u> <u>3</u>
U.S. Treasury Bills:			
Restricted:	\$ -	\$ 967,050	\$ -
Restricted under bond agreements	<u>-</u>	<u>2,355,043</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 3,322,093</u>	<u>\$ -</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

B. Receivables

Receivables at September 30, 2003, for the primary government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows (amounts are expressed in thousand dollars):

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Improvement Fund</u>	<u>1998 G O Bond CIP</u>	<u>2003 G O Bond</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Accounts receivable	\$ -	\$ 12	\$ 9,507	\$ 29	\$ -	\$ -	\$ 2,541	\$ 12,089
Property	407	-	-	-	-	-	-	407
Special assessments	-	246	-	-	-	-	-	246
Intergovernmental	3,014	-	-	3,324	-	20	2,198	8,556
Other	<u>2,486</u>	<u>-</u>	<u>-</u>	<u>81</u>	<u>29</u>	<u>31</u>	<u>16</u>	<u>2,643</u>
Gross receivables	<u>5,907</u>	<u>258</u>	<u>9,507</u>	<u>3,434</u>	<u>29</u>	<u>51</u>	<u>4,755</u>	<u>23,941</u>
Less: Allowance for uncollectible	<u>-</u>	<u>-</u>	<u>(3,368)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,334)</u>	<u>(4,702)</u>
Net total receivables	<u>\$ 5,907</u>	<u>\$ 258</u>	<u>\$ 6,139</u>	<u>\$ 3,434</u>	<u>\$ 29</u>	<u>\$ 51</u>	<u>\$ 3,421</u>	<u>\$ 19,239</u>

Revenues of Water and Sewer are reported net of uncollectible amounts. There were no amounts determined to be uncollectible for the current year.

1. Property taxes

Property taxes on real and personal property, exclusive of automobiles, attach as an enforceable lien on the levy date or January 1 for the preceding calendar year. Hinds, Rankin and Madison Counties bill and collect the real, personal and auto ad valorem taxes for the City of Jackson, Jackson Municipal Separate School District and the Jackson/Hinds Library System. Automobile taxes are remitted monthly and real and personal taxes are remitted on a weekly basis to the City of Jackson. Hinds County remits directly to the Jackson Municipal Separate School District taxes collected for all school funds except the Bond and Interest Fund in accordance with State law. Hinds County also remits to the City a pro rata share of road and bridge taxes collected by the County.

The taxes are due on or before February 1; however, installment payments can be made one-half of balance due on February 1 and one-fourth each on May 1 and August 1.

Tax millage levies for 2002 were collected in the current fiscal year and statutory maximum millage rates were as follows:

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

B. Receivables (Continued):

<u>Fund</u>	<u>Levy (in mills)</u>	<u>Purpose</u>	<u>Maximum</u>
General Fund	38.17	General	None
Parks and Recreation Fund	2.00	Recreation	2.00 mills
Debt Service Fund	9.52	Debt retirement	None
Disability and Relief Fund	<u>5.06</u>	Retirement	None
Total City of Jackson	<u>54.75</u>		
Jackson/Hinds Library System	<u>1.28</u>	Public library	None
Jackson Municipal Separate School District:			
District Supplement Levy	68.91	Public schools	None
Special Debt Retirement Levy	2.11	Public schools	None
Special Debt Retirement Bond	2.68	Public schools	None
Special Debt Retirement	<u>2.00</u>	Public schools	None
	<u>75.70</u>		
Totals mills	<u>131.73</u>		

Landscape Improvement fund rate consists of nine cents of the gross square footage of land and building of property owners located in the downtown development district.

The City is permitted to levy taxes based on a percentage of up to 100% of fair value of property at the millage indicated above. At the present time, the City levies taxes based on 10% of fair value for homeowner-occupied real property, 15% of fair value for all other real and personal property, and 30% of fair value for all motor vehicles and property owned by public service corporations. The City may levy taxes as necessary to meet bonded debt retirement. Limitations are imposed on the amount of bonded debt that may be issued based upon assessed valuation of properties.

Annual tax increases for all purposes except payment of general obligation bonds and interest are limited by State law to 10% of the preceding year's receipts plus new construction.

The State levies a 7% sales tax on retail sales and remits 18.5% of collections to the City monthly. Intergovernmental revenue of the General Fund includes \$35,096,974 of sales tax revenue.

Governmental funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

B. Receivables (Continued):

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ -	\$ -
Delinquent property taxes receivable (debt service fund)	-	-
Special assessments not yet due (debt service fund)	245,986	-
Grant drawdowns prior to meeting all eligibility requirements	-	2,346,059
Total deferred/unearned revenue for governmental funds	<u>\$ 245,986</u>	<u>\$ 2,346,059</u>

C. Changes in Capital Assets

1. Primary government capital asset activity for the year ended September 30, 2003, was as follows (amounts are expressed in thousands):

	<u>Balance September 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance September 30, 2003</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 14,940	\$ -	\$ -	\$ -	\$ 14,940
Infrastructure	66,125	-	-	-	66,125
Construction in progress	<u>43,383</u>	<u>12,340</u>	<u>4,142</u>	<u>-</u>	<u>51,581</u>
Total capital assets not being depreciated	<u>124,448</u>	<u>12,340</u>	<u>4,142</u>	<u>-</u>	<u>132,646</u>
Capital assets being depreciated:					
Buildings	6,236	-	-	24,943	31,179
Infrastructure	6,000	4,142	-	-	10,142
Automotive and equipment	<u>56,070</u>	<u>3,678</u>	<u>963</u>	<u>-</u>	<u>58,785</u>
Total capital assets being depreciated	<u>68,306</u>	<u>7,820</u>	<u>963</u>	<u>24,943</u>	<u>100,106</u>
Less accumulated depreciation for:					
Buildings	1,915	566	-	11,000	13,481
Infrastructure	210	355	-	-	565
Automotive and equipment	<u>36,219</u>	<u>4,395</u>	<u>898</u>	<u>-</u>	<u>39,716</u>
Total capital assets being depreciated, net	<u>38,344</u>	<u>5,316</u>	<u>898</u>	<u>11,000</u>	<u>53,762</u>
Total governmental activities capital assets, net	<u>\$ 154,410</u>	<u>\$ 14,844</u>	<u>\$ 4,207</u>	<u>\$ 13,943</u>	<u>\$ 178,990</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

C. Changes in Capital Assets (Continued):

	Balance September 30, 2002	Additions	Deletions	Balance September 30, 2003
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,418	\$ -	\$ 30	\$ 1,388
Construction in progress	<u>45,048</u>	<u>5,277</u>	<u>11,697</u>	<u>38,628</u>
Total capital assets not being depreciated	<u>46,466</u>	<u>5,277</u>	<u>11,727</u>	<u>40,016</u>
Capital assets being depreciated:				
Buildings	1,723	-	-	1,723
Infrastructure	373,389	14,116	176,300	211,205
Automotive and equipment	<u>23,773</u>	<u>464</u>	<u>2,484</u>	<u>21,753</u>
Total capital assets being depreciated	<u>398,885</u>	<u>14,580</u>	<u>178,784</u>	<u>234,681</u>
Less accumulated depreciation for:				
Building	504	12	-	516
Infrastructure	85,698	7,113	-	92,811
Automotive and equipment	<u>55,881</u>	<u>1,891</u>	<u>3,329</u>	<u>57,772</u>
Total capital assets being depreciated, net	<u>142,083</u>	<u>9,016</u>	<u>3,329</u>	<u>147,770</u>
Total business-type activities capital assets, net	<u>\$ 303,268</u>	<u>\$ 10,841</u>	<u>\$ 187,182</u>	<u>\$ 126,927</u>

2. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$ 1,280
Public Safety	2,713
Public Works	788
Culture and recreation	<u>534</u>
Total depreciation expense – governmental activities	<u>\$ 5,315</u>

Business-Type Activities:

Water/Sewer	\$ 8,282
Non-major business – type activities	<u>734</u>
Total depreciation expense – business-type activities	<u>\$ 9,016</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

C. Changes in Capital Assets (Continued):

3. Construction work in progress for the governmental activities of the primary government is composed of the following:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Improvement Fund	\$33,679,823	\$ 2,369,520
Community Development Block Grant	586,257	39,116
1982 Industrial Park Bond	145,908	-
1994 G O Public Improvement Construction Bond	116,053	946,213
1998 G O Public Improvement Construction Bond	14,032,590	5,827,572
2003 G O Public Improvement Construction Bond	922,297	3,212,629
Economic Development Initiative –		
Union Station,		
Farish Street		
Resurfacing – Repair and Replacement ,		
Traffic – Repair and Replacement,		
Drainage – Repair and Replacement,		
Parks – Repair and Replacement	<u>2,098,897</u>	<u>1,829,050</u>
Total	<u>\$51,581,825</u>	<u>\$14,224,100</u>

4. Construction work in progress at September 30, 2003, for primary government enterprise funds is composed of the following:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water/Sewer Construction Fund	<u>\$38,614,427</u>	<u>\$ 4,892,653</u>
Total	<u>\$38,614,427</u>	<u>\$ 4,892,653</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

C. Changes in Capital Assets (Continued)

5. A summary of changes in capital assets for component units is as follows:

	Balance September 30, <u>2002</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2003</u>
Capital assets not being depreciated:				
Land	\$ 6,965	\$ -	\$ -	\$ 6,965
Construction in Progress	14,365	5,261	-	19,626
Property held for development	<u>6,569</u>	<u>779</u>	<u>348</u>	<u>7,000</u>
Total capital assets not being depreciated	<u>27,899</u>	<u>6,040</u>	<u>348</u>	<u>33,591</u>
Other capital assets:				
Land improvements	29	-	-	29
Buildings	48,772	-	322	48,450
Equipment and furniture	<u>1,279</u>	<u>-</u>	<u>-</u>	<u>1,279</u>
Total other capital assets	<u>50,080</u>	<u>-</u>	<u>322</u>	<u>49,758</u>
Less accumulated depreciation for:				
Land improvements	29	-	-	29
Buildings	20,618	612	-	21,230
Equipment and furniture	<u>1,242</u>	<u>11</u>	<u>-</u>	<u>1,253</u>
Total capital assets being depreciated	<u>21,889</u>	<u>623</u>	<u>-</u>	<u>22,512</u>
Total other capital assets, net	<u>28,191</u>	<u>(623)</u>	<u>322</u>	<u>27,246</u>
Total capital assets, net	<u>\$ 56,090</u>	<u>\$ 5,417</u>	<u>\$ 670</u>	<u>\$ 60,837</u>

Depreciation expense was charged to activities as follows:

Urban renewal projects	\$ 187,733
Parking facilities	<u>435,263</u>
Total	<u>\$ 622,996</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

D. Interfund receivables, payables, and transfers:

Individual fund interfund receivable and payable balances as of September 30, 2003 follows
(in thousands of dollars):

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 2,449	\$ -
Debt Service Fund	-	300
Improvement Fund	300	55
Nonmajor Governmental Funds	-	261
Water/Sewage Disposal System Fund	1,348	198
Nonmajor Proprietary Fund	198	3,481
Total	<u>\$ 4,295</u>	<u>\$ 4,295</u>

Transfer in/transfer out between primary government and component unit:

Primary government:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 630	\$ 10,581
Debt Service Fund	11,626	11,654
Improvement Fund	764	-
1998 GO Bond Fund	9	-
Nonmajor Governmental Funds	4,298	9
Water/Sewage Disposal System Fund	106	630
Nonmajor Fiduciary Funds	800	-
Nonmajor Proprietary Funds	5,036	-
Trust and Agency	-	395
Total	<u>\$ 23,269</u>	<u>\$ 23,269</u>

The component unit financial statement for year ended September 30, 2003 and 2002 reported \$1,135,204 and \$1,192,916 as bond principal and interest payments respectively. However, it is presented as an operating transfer in the City's financial statements. Therefore, the operating transfers between the primary government and the component unit are reconciled as follows:

	<u>2003</u>	<u>2002</u>
Per component unit		
Transfer out	\$ -	\$ -
Per primary government		
General Fund		
Transfer in	<u>1,135,204</u>	<u>1,192,916</u>
Difference	<u>\$ 1,135,204</u>	<u>\$ 1,192,916</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

E. Capital leases:

The City leases property with varying terms and options. Most leases contain a clause which states that the lease shall terminate in the event that no funds or insufficient funds are appropriated. However, if renewal is reasonably assured, leases are considered noncancellable leases for financial reporting purposes.

The City has financed through lease agreements the acquisition of the data processing division computer system, word-processing systems for the legal division, computerized records management system and a computer-aided dispatch system for the fire and police departments, and various copying and duplicating equipment. In addition, tractors have been acquired for both the Water Maintenance and the Engineering Maintenance divisions; golf carts have been acquired for the City's golf courses and riding lawn mowers have been acquired for park maintenance. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception. Future minimum lease payments under operating leases are disclosed in the following note. At September 30, 2003, there were assets under capital lease totaling \$15,560,519 for machinery and equipment. Future minimum lease payments for capital leases are disclosed in Note 3 section 9.

F. Operating leases:

The City is obligated under certain noncancellable leases for land and buildings with terms remaining more than one year which are classified as operating leases. Operating leases do not give rise to property rights; therefore, the results of the lease agreements are not reflected in the City's account groups. Total lease expenditures for the rental of all land and buildings under operating leases for the year ended September 30, 2003, amounted to \$784,712. The following is a schedule by years of future minimum lease payments required under the noncancellable land and building operating leases as of September 30, 2003, (in thousands of dollars):

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 373
2005	323
2006	311
2007	301
2008	323
2009 and thereafter	<u>3,617</u>
Total	<u>\$ 5,248</u>

The total rental expenditures for all operating leases of the City for the year ended September 30, 2003 totaled to \$1,481,054. There were no subleases or contingent rentals associated with the operating leases.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt:

1. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues.

The City issued \$35 million of general obligation bonds in October 1998 to provide funds for the costs of altering or changing the channels of streams, and the costs of establishing or repairing storm drainage or sewage systems, the costs of constructing bridges and culverts, and the costs of purchasing land and improving recreational facilities and municipal buildings.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds in denominations of \$5,000 with principal maturing annually and interest due at various semi-annual dates.

General obligation bonds currently outstanding at September 30, 2003, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
General Obligation Bonds:					
General Long-Term Debt:					
Public Improvement Bonds	03/01/78	4.25-5.30%	03/01/03	\$ 31,520	\$ -
Capital Improvement					
Bonds, 1994 (Refunded 6/1/98)	7/01/94	5.40-7.625%	07/01/14	7,850	360
Industrial Park Bonds,					
Refunding 1996	2/01/96	5.20-6.05%	12/01/06	3,570	1,860
Refunding Bonds, Series 1998	6/16/98	3.75-4.85%	07/01/14	5,490	5,305
General Obligation Bonds, Series 1998	10/01/98	4.00-5.25%	10/01/18	35,000	29,600
General Obligation Bonds, Series 2002	01/31/02	4.00-5.00%	05/01/18	30,605	23,055
MS Development Bank GO Bonds, Series 2003	01/05/03	2.00-5.25%	03/01/23	20,000	20,000
Total General Obligation Bonds in General Long-Term Debt					<u>80,180</u>
Enterprise Funds:					
Public Works Bonds,					
Series 1984-Water/Sewer	06/01/84	7.75-11.00%	06/01/04	6,175	630
Total General Obligation Bonds in Enterprise Funds					<u>630</u>
Total General Obligation Bonds					<u>\$ 80,810</u>

2. Revenue Bonds

The City issued \$40,520,000 of Revenue Refunding Bonds to provide for the current refunding of certain maturities of the City's outstanding Water and Sewer System Revenue Refunding Bonds, Series 1993-A, dated February 15, 1993, issued in the original principal amount of \$84,355,000, in order to accomplish debt service savings for the City.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

Revenue bonds outstanding, at September 30, 2003, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Revenue Bonds:					
Enterprise Funds:					
Rankin Sewage Disposal System Revenue Bonds, Series 1977-A	08/01/77	5.00-5.80%	08/01/07	\$ 9,000	\$ -
Water/Sewer Revenue Refunding 1993-A	02/15/93	2.50-5.40%	09/01/11	84,355	-
Combined Water/Sewer System Bonds	07/07/99	5.00-6.75%	09/30/24	35,000	31,775
Rankin Sewage Disposal System Revenue Bonds, Series 2000-A	08/01/00	5.00-7.00%	08/01/07	900	-
Combined Water/Sewer System Bonds Series 2002	09/01/02	3.00-5.50%	09/01/32	50,000	49,105
Water/Sewer Revenue Refunding 2003	02/15/03	4.00-5.25%	09/01/11	40,520	<u>40,520</u>
Total Revenue Bonds					<u>\$121,400</u>

3. Tax Increment Limited Obligation Bonds

The City issued \$1.650 million of tax increment limited obligation bonds in July 1996 to provide funds for the costs of constructing certain infrastructure improvements needed for the development of a retail shopping center. The City entered into an Interlocal Cooperation Agreement with Hinds County, Mississippi, to provide the pledge of certain ad valorem tax revenues for the payment of the principal and interest on the bonds. As a result, the bonds are not a general obligation of the City. Limited obligation bonds outstanding at September 30, 2003, are as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Limited Obligation Bonds:					
General Long-Term Debt:					
Tax Increment Limited Obligation, 1995	04/01/95	8.90%	04/01/2006	\$ 1,650	\$ 650
Tax Increment Financing (Metro Station Project)					
Bonds, 1996	07/01/96	7.25%	07/01/2008	1,650	<u>915</u>
Total Limited Obligation Bonds					<u>\$ 1,565</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

4. Special Obligation Bonds

The City issued \$49.790 million of special obligation bonds in October 1997 to provide funds to make a loan to the City, the proceeds of which loan will be used by the City to fund a portion of the City's unfunded actuarial accrued liability (UAAL) in the City's Disability and Relief Retirement System. Special obligation bonds outstanding at September 30, 2003, are as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Special Obligation Bonds:					
General long-term debt:					
MS Development Bank Taxable					
Special Obligation Bonds, Series 1997	10/15/97	5.75-6.60%	7/01/2009	\$49,790	<u>\$ 31,520</u>
Total Special Obligation Bonds					<u>\$31,520</u>

5. Jackson Redevelopment Authority

a. Urban Renewal Bonds

Urban renewal bonds are issued to provide funds for various rehabilitation projects. The urban renewal bonds outstanding and net of unamortized bond discount of \$196,727 at September 30, 2003, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
Urban Renewal Bonds:					
Enterprise Funds:					
Urban Renewal Central Business District, 1986-A	08/01/86	7.20-10.25%	08/01/09	\$ 1,040	\$ 475
Urban Renewal Refunding, Series 1993-B	05/15/93	2.80-5.75%	07/01/08	6,515	2,735
Urban Renewal Refunding, Series 1995-A	06/01/95	4.00-7.00%	04/01/13	6,295	4,083
Urban Renewal Refunding Series 1997-A	10/01/97	4.00-5.00%	11/01/13	12,270	9,086
Urban Renewal Revenue Bonds, Series 1997	11/01/97	Variable	11/01/12	25,200	19,210
Urban Renewal Central Business District, 1998-A	09/01/98	4.50-6.375%	09/01/23	2,825	2,495
Urban Renewal Central Business District, 1998-B	09/01/98	6.50-8.50%	09/01/23	1,175	1,075
Urban Renewal Central Business District, 1998-C	09/01/98	6.50-8.50%	09/01/18	1,800	2,181
Urban Renewal Bonds Jackson Mall Area Project, 1998-A	11/01/98	4.10-5.70%	11/01/13	650	520
Urban Renewal Bond Central Business District, 2000-A	11/01/00	5.00-7.00%	11/01/25	2,250	2,205
Urban Renewal Bond Central Business District 2000-B	10/01/00	5.50%	10/01/03	4,250	<u>4,250</u>
Total Urban Renewal Bonds					<u>\$ 48,315</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

b. Urban Renewal Notes

Urban renewal notes of JRA are issued to assist property owners in financing rehabilitation of properties within a designated urban renewal area. JRA lends the proceeds from the notes to the property owners with repayment terms identical to terms of the related urban renewal notes. The loans are collateralized by deeds of trust on real properties being rehabilitated. Urban renewal notes outstanding at September 30, 2003, were as follows (in thousands of dollars):

	<u>Date of Obligation</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Issued</u>	<u>Outstanding</u>
<u>Notes Payable</u>					
Urban Renewal Rehabilitation Revenue Note	02/29/80	8.00%	06/01/11	\$8,000	\$ -
Urban Renewal Rehabilitation Revenue Note	04/01/80	8.00%	04/01/05	147	-
Urban Renewal Rehabilitation Revenue Note	03/01/81	9.00%	04/01/05	25	-
Urban Renewal Rehabilitation Revenue Note	10/01/80	8.00%	10/01/05	850	154
Total Urban Renewal Rehabilitation Revenue Notes					<u>\$ 154</u>

In June 1995, JRA issued Urban Renewal Refunding Bonds - Series 1995 A in the principal amount of \$6,295,000 for the purpose of refunding the Urban Renewal Rehabilitation Bonds - Series 1988 A. The issuance of the Series 1995 A bonds resulted in the in-substance defeasance of the Series 1988 A bonds.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

6. A summary of long-term debt transactions, net of unamortized bond discount of \$2,598,000 for the primary government and \$196,727 for the component unit for the year ended September 30, 2003, was as follows (in thousands of dollars):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and loans payable:					
General obligation bonds	\$ 69,365	\$ 20,000	\$ 9,185	\$ 80,180	\$ 6,985
Limited obligation bonds	1,890	-	325	1,565	360
Special obligation bonds	35,310	-	3,790	31,520	4,155
State issued bonds	3,026	-	400	2,626	400
State revolving loan MDA	725	-	33	692	31
Less deferred amounts:					
For issuance discount	(523)	-	59	(464)	-
On refunding premium	923	-	190	733	-
Total bonds payable	<u>110,716</u>	<u>20,000</u>	<u>13,982</u>	<u>116,852</u>	<u>11,931</u>
Capital leases	9,085	5,203	2,109	12,179	2,854
Claims and judgments	1,891	137	753	1,275	1,275
Compensated absences	<u>5,611</u>	<u>1,465</u>	<u>3,093</u>	<u>3,983</u>	<u>3,131</u>
	<u>16,587</u>	<u>6,805</u>	<u>5,955</u>	<u>17,437</u>	<u>7,260</u>
Total Governmental Activity	<u>\$127,303</u>	<u>\$26,805</u>	<u>\$ 19,937</u>	<u>\$ 134,289</u>	<u>\$ 19,191</u>
Business-type activities:					
Bonds and loans payable:					
General obligation bonds	\$ 1,205	\$ -	\$ 575	\$ 630	\$ 630
Revenue bonds	132,226	40,520	51,346	121,400	5,405
Less deferred amounts:					
On refunding discounts	(1,682)	190	642	(2,134)	-
On refunding premium	<u>7,228</u>	<u>369</u>	<u>73</u>	<u>7,524</u>	<u>-</u>
Total bonds payable	<u>138,977</u>	<u>41,079</u>	<u>52,636</u>	<u>127,420</u>	<u>6,035</u>
Capital leases	4,117	1,072	1,747	3,442	1,239
State Air & Water Pollution	116	-	70	46	39
State revolving loan (DEQ)	<u>18,259</u>	<u>4,340</u>	<u>906</u>	<u>21,693</u>	<u>1,144</u>
	<u>22,492</u>	<u>5,412</u>	<u>2,723</u>	<u>25,181</u>	<u>2,422</u>
Total Business-type activities	<u>\$ 161,469</u>	<u>\$ 62,574</u>	<u>\$ 9,032</u>	<u>\$161,469</u>	<u>\$ 10,372</u>
Component Unit - Jackson Redevelopment Authority					
Urban Renewal bonds	\$ 51,591	\$ -	\$ 3,276	\$ 48,315	\$ 7,765
Urban Renewal notes	<u>4,663</u>	<u>-</u>	<u>4,509</u>	<u>154</u>	<u>69</u>
Total Component Unit	<u>\$ 56,254</u>	<u>\$ -</u>	<u>\$ 7,785</u>	<u>\$ 48,469</u>	<u>\$ 7,834</u>
Total Long-Term Debt	<u>\$ 345,026</u>	<u>\$ 89,379</u>	<u>\$ 36,754</u>	<u>\$ 344,227</u>	<u>\$ 37,397</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

7. The City's legal debt margin for the issuance of general obligation bonds was \$77,141,174 at September 30, 2003.

8. Annual Maturities Requirements

The annual requirements to amortize all long-term debts outstanding, net of unamortized bond discount of \$196,727 for the component unit as of September 30, 2003, including interest, by source of retirement are as follows (in thousands of dollars):

Debt Service Fund (Special Tax Levy)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>		<u>Total (Memorandum Only)</u>
	<u>Interest</u>	<u>Principal</u>	
2004	\$ 3,789	\$ 6,985	\$ 10,774
2005	3,465	7,325	10,790
2006	3,128	7,705	10,833
2007	2,765	8,105	10,870
2008	2,391	8,005	10,396
2009-2013	8,774	16,740	25,514
2014-2018	4,355	18,365	22,720
2019-2023	948	6,950	7,898
2024-2028	-	-	-
Total	<u>\$29,615</u>	<u>\$80,180</u>	<u>\$ 109,795</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

<u>Fiscal Year</u>	<u>Limited Obligation Bonds</u>		<u>Special Obligation Bonds</u>		<u>Total (Memorandum Only)</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2004	\$ 124	\$ 360	\$ 2,055	\$ 4,155	\$ 17,468
2005	85	385	1,789	4,550	17,598
2006	53	415	1,495	4,965	17,761
2007	29	195	1,175	5,420	17,689
2008	15	210	817	6,000	17,439
2009-2013	-	-	424	6,430	32,368
2014-2018	-	-	-	-	22,720
2019-2023	-	-	-	-	7,898
2029-2033	-	-	-	-	-
Total	<u>\$ 306</u>	<u>\$ 1,565</u>	<u>\$ 7,755</u>	<u>\$ 31,520</u>	<u>\$150,941</u>

General Fund (General Fund Revenues)

<u>Fiscal Year</u>	<u>Jackson Redevelopment Authority Bonds</u>		<u>Obligation Under Capital Leases</u>		<u>Total (Memorandum Only)</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2004	\$ 419	\$ 925	\$ 467	\$ 2,913	\$ 4,724
2005	377	960	357	2,627	4,321
2006	334	1,005	256	2,175	3,770
2007	290	950	180	710	2,130
2008	246	1,000	150	664	2,060
2009-2013	513	4,555	457	2,149	7,674
2014-2018	-	-	90	941	1,031
Total	<u>\$ 2,179</u>	<u>\$ 9,395</u>	<u>\$ 1,957</u>	<u>\$ 12,179</u>	<u>\$ 25,710</u>

Unamortized refunding gain and premium	-	-
Unamortized refunding cost and discounts	(309)	(309)
Total Long-Term Debt	<u>\$ 9,086</u>	<u>\$ 25,082</u>

The City has unconditionally and irrevocably agreed to grant and contribute to the Jackson Redevelopment Authority from the General Fund of the City sums sufficient to pay the principal of and interest on the bonds issued by the Jackson Redevelopment Authority for urban renewal purposes, as the same shall mature and become due. The City has designated proceeds from Community Development Block Grants to service approximately 39% of the Jackson Redevelopment Authority bond requirements. Principal and interest maturities for 2003 were paid by contributions from the General Fund of \$1,135,204.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

Enterprise Funds - Water/Sewage Disposal System Fund (Water/Sewer Revenue)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2004	\$ 49	\$ 630	\$ 6,651	\$ 5,405
2005	-	-	5,924	7,095
2006	-	-	5,571	7,430
2007	-	-	5,201	7,775
2008	-	-	4,810	8,145
2009-2013	-	-	18,672	25,685
2014-2018	-	-	13,987	14,930
2019-2023	-	-	9,625	19,390
2024-2028	-	-	4,808	14,010
2029-2033	-	-	1,477	11,535
Total	<u>\$ 49</u>	<u>\$ 630</u>	<u>\$ 76,726</u>	<u>\$ 121,400</u>

<u>Fiscal Year</u>	<u>Obligations Under Capital Lease</u>	
	<u>Interest</u>	<u>Principal</u>
2004	\$ 105	\$ 1,239
2005	65	1,069
2006	32	403
2007	17	182
2008	9	83
2009-2013	18	181
2014-2018	-	-
2019-2023	-	-
2024-2028	-	-
2029-2033	-	-
Total	<u>\$ 246</u>	<u>\$ 3,157</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

Enterprise Funds - Water/Sewage Disposal System Fund (Water/Sewer Revenues)

<u>Fiscal Year</u>	<u>State Revolving Loan</u>	
	<u>Interest</u>	<u>Principal</u>
2004	\$ 790	\$ 1,144
2005	745	1,189
2006	699	1,235
2007	650	1,284
2008	600	1,334
2009-2013	2,155	7,506
2014-2018	692	5,684
2019-2023	121	2,317
2024-2028	-	-
2029-2033	-	-
Total	<u>\$ 6,452</u>	<u>\$ 21,693</u>

State Air and Water Pollution Control Commission

<u>Fiscal Year</u>	<u>Principal</u>	<u>Total</u>
		<u>(Memorandum Only)</u>
2004	\$ 39	\$ 16,052
2005	6	16,093
2006	-	15,370
2007	-	15,109
2008	-	14,981
2009-2013	-	54,217
2014-2018	-	35,293
2019-2023	-	31,453
2024-2028	-	18,818
2029-2033	-	13,012
Total	<u>\$ 45</u>	<u>\$230,398</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

Jackson Redevelopment Authority (Parking Facility Revenues)

<u>Fiscal Year</u>	<u>Jackson Redevelopment Authority Urban Renewal Bonds</u>		<u>Total (Memorandum Only)</u>
	<u>Interest</u>	<u>Principal</u>	
2004	\$ 151	\$ 490	\$ 641
2005	126	515	640
2006	97	545	642
2007	68	575	643
2008	35	610	645
2009-2013	-	-	-
2014-2018	-	-	-
2019-2023	-	-	-
Total	<u>\$ 477</u>	<u>\$ 2,735</u>	<u>\$ 3,211</u>

Pursuant to a long-term lease agreement between the City and JRA dated May 1, 1980, the City agreed to pay certain basic rentals to JRA related to JRA's Urban Renewal Parking Facility Bonds. The City's requirement to pay rentals under the lease is limited to the amount sufficient to pay principal and interest on the bonds, reduced by the amounts accruing to JRA from operations of the facility and bond reserve accounts provided for such purposes. During 2003 funds were not needed from the City's General Fund for interest maturities.

Jackson Redevelopment Authority (Urban Renewal Project Revenues)

<u>Fiscal Year</u>	<u>Jackson Redevelopment Authority Notes Payable, Urban Renewal Notes and Bonds</u>		<u>Total (Memorandum Only)</u>
	<u>Interest</u>	<u>Principal</u>	
2004	\$ 1,702	\$ 6,419	\$ 8,121
2005	1,471	2,285	3,756
2006	1,352	2,365	3,717
2007	1,230	2,490	3,720
2008	1,145	2,645	3,790
2009-2013	3,339	15,285	18,624
2014-2018	1,069	2,250	3,319
2019-2023	449	1,930	2,379
2024-2028	49	475	524
2029-2033	-	-	-
Total	<u>\$ 11,806</u>	<u>\$ 36,144</u>	<u>\$ 47,950</u>
Unamortized refunding gain and premium		628	
Unamortized refunding cost and discounts		(432)	
Total Long-Term Debt		<u>\$ 36,340</u>	

There are a number of requirements contained in various revenue bond ordinances. The City is in compliance with all significant requirements.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

9. Annual Maturities Requirements

The annual requirements to amortize all debt outstanding, net of unamortized bond discount of \$196,727 for the component unit as of September 30, 2003, including interest of \$137,565 are as follows (in thousands of dollars):

<u>Fiscal Year</u>	<u>City of Jackson</u>	<u>Jackson Redevelopment Authority</u>
2004	\$36,900	\$10,107
2005	36,676	5,734
2006	35,562	5,698
2007	33,688	5,602
2008	33,233	5,680
2009 and thereafter	<u>219,416</u>	<u>29,915</u>
Total	<u>\$ 395,475</u>	<u>\$ 62,736</u>

10. Industrial Revenue Bonds

Long-term debt does not include amounts for Industrial Revenue Bonds issued under authority of Section 57-3-1 through Section 57-3-33 of the Mississippi Code of 1972, as annotated. Industrial Revenue Bonds are issued to provide funds for direct financing leases to aid industries which manufacture, process, or assemble agricultural or manufactured products or any industry engaged in storing or warehousing products of agriculture, mining, or industry. These leases are administered by trustees with terms which provide for transfer of title of property after all bonds are paid in full.

Bonds issued under provisions of the above mentioned law do not constitute an indebtedness of the municipality within the meaning of any state constitutional provision or limitation, or never give rise to the pecuniary liability of the municipality or a charge against its general credit or taxing powers, and such fact is plainly stated in the face of the bonds.

At September 30, 2003, the City of Jackson had \$4,235,000 of Industrial Revenue Bonds outstanding.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Industrial revenue bonds payable:					
Revenue bond-Dorsey	\$ 585	\$ -	\$ -	\$ 585	\$ -
Revenue bond-I R Floating	<u>3,650</u>	<u>-</u>	<u>-</u>	<u>3,650</u>	<u>-</u>
Total Industrial revenue bonds	<u>\$ 4,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,235</u>	<u>\$ -</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 3 – Detailed notes on all funds (Continued):

G. Long-term debt (Continued):

<u>Fiscal Year</u>	<u>Industrial Revenue Bonds</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>(Memorandum Only)</u>
2004	\$ 303	\$ -	\$ 303
2005	303	585	888
2006	256	-	256
2007	256	-	256
2008	1,280	-	1,280
2009-2013	1,280	3,650	4,930
2014-2018	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,678</u>	<u>\$ 4,235</u>	<u>\$ 7,913</u>

Note 4 – Other Information

A. Risk Management

1. Workers Compensation Benefits

The City maintains a self-funded workers compensation plan accounted for in the General Fund. Benefits paid to employees during fiscal year 2003 were \$3,245,537.

Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and include provisions for estimated claims adjustment expenses.

2. Unemployment Benefits

The City also maintains an Unemployment Compensation Revolving Fund (Expendable Trust Fund) established pursuant to state law. In addition to funding all valid claims, the City is required to maintain the balance in the fund at not less than 2% of the first \$7,000 paid each employee during the preceding year. As of September 30, 2003, the required amounts were funded. Claims totaled \$128,981 during fiscal year 2003. Estimates of the liability for unpaid claims are based on patterns of claims payments.

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 4 – Other Information (Continued):

A. Risk Management (Continued):

3. Group Benefits

Additionally, the City maintains the Employees' Group Benefit Fund (Internal Service Fund) to account for the accumulation of revenues, principally contributions from the City of Jackson and employees to be used to fund future liabilities and current payment of employer medical claims and related administration expenditures of the City's group benefit plan. Revenues totaled \$8,436,223 and employee benefit costs were \$9,294,812 during fiscal year 2003. Claims incurred but not reported at September 30, 2003, in the Employees' Group Benefit Fund are provided for in the fund balance of that fund based primarily upon an actuary's estimate.

4. Tort Liability

In compliance with the Tort Claims Act, Chapter 46 of Title 11 and as amended by the 1993 Legislature, Section 11-46-17(3) requires all municipalities from and after October 1, 1993, to obtain such policies of insurance, establish self-insurance reserves, or provide a combination of insurance and reserves necessary to cover all risks of claims and suits for which the City of Jackson may be liable under the Tort Claims Act.

In order to assure compliance with the Tort Claims Act, the Mississippi Tort Claims Board was established by House Bill 417. Municipalities are required to submit plans of insurance, self-insurance and or reserves to the Tort Claims Board for approval.

Municipalities may comply with the requirements of the Tort Claims Act by one of the following methods: (1) Purchase of liability insurance, (2) Pooling of two or more municipalities or other political subdivision to purchase liability insurance or to self insure, (3) Self-insure with the establishment of a self-insurance reserve fund.

The City of Jackson is in compliance by using method number three as indicated above. The 2003 fiscal year budget had the monies necessary to establish the reserve fund at the required funding level. Estimates of the liability for unpaid claims are actuarially determined.

For the past three years, the settlement amount for claims against the City has not exceeded the amount of insurance coverage maintained by the City.

The following table provides a reconciliation of changes in the liabilities for claims for years ended September 30, 2003 and 2002:

	Employee Benefit Fund	Tort Claims	Unemployment Benefits Fund	Workers Compensation Benefits
2003:				
Beginning Balance	\$ 659,865	\$ 2,842	\$ 1,417	\$ -
Current Year Claims / Changes in Estimates	9,294,812	752,567	128,981	3,245,537
Claims Payments	<u>9,540,130</u>	<u>752,327</u>	<u>128,703</u>	<u>3,245,537</u>
Ending Balance	<u>\$ 414,547</u>	<u>\$ 3,082</u>	<u>\$ 1,695</u>	<u>\$ -</u>
2002:				
Beginning Balance	\$ 861,044	\$ -	\$ -	\$ -
Current Year Claims / Changes in Estimates	9,133,482	275,715	110,700	2,398,127
Claims Payments	<u>9,334,661</u>	<u>272,873</u>	<u>109,283</u>	<u>2,398,127</u>
Ending Balance	<u>\$ 659,865</u>	<u>\$ 2,842</u>	<u>\$ 1,417</u>	<u>\$ -</u>

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 4 – Other Information (Continued):

B. Commitments:

The City has pledged sales tax reimbursements from the State of Mississippi to repay the State Air and Water Pollution Control Commission for a loan to the Jackson Sewage Disposal System Fund. The outstanding balance of this loan at September 30, 2003, was \$45,169. During fiscal year 1993, the City entered into a revolving loan agreement with the Department of Environmental Quality (DEQ) for loans to the Jackson Water/Sewage Disposal System Fund. The outstanding balance of the revolving loans at September 30, 2003, was \$21,692,721. The City has also pledged sales tax reimbursements from the State to repay the DEQ loans.

C. Contingent liabilities:

Litigation

The City is defendant in a number of legal actions seeking actual and punitive damages. Contingencies totaling \$1,275,289 for which it is probable a loss has been incurred and are subject to reasonable estimation are recognized in the financial statements in the general long-term debt account group. An additional \$1,400,000 has been designated for contingencies relating to litigation for which the outcome is uncertain. The City is vigorously defending all matters of litigation and believes there will be no material adverse financial effect.

Federal Grants

The City participates in a number of state and federally funded grant programs, principal of which are Community Development Block Grant, Federal Highway Administration, Department of Transportation and Department of Justice grants. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of September 30, 2003, the City has disallowed expenditures and or questioned costs resulting from audits performed by the following grantor agencies: U.S. Department of Housing and Urban Development, Community Development Block Grant and HOME Program \$500,000.

A settlement has been reached with these agencies to deduct the \$500,000 in three installments over the next three years from the funding allocation of the CDBG and HOME Program.

During fiscal year 2003, the City paid the above funding source a total of \$166,670 leaving a balance of \$333,330 in disallowed expenditures.

D. Joint ventures:

The following provides the summary financial information of the Jackson/Hinds Library System as of September 30, 2003 (in thousands of dollars):

Jackson/Hinds Library System

Total assets	<u>\$ 2,891</u>	
Total liabilities	<u>\$ 332</u>	
Total fund equity	<u>\$ 2,559</u>	
Total revenues	<u>\$ 3,383</u>	(1)
Total expenditures	<u>\$ 3,373</u>	
Net increase (decrease) in fund balance	<u>\$ 10</u>	
Total debt	<u>\$ -</u>	

(1) The percentage share of the joint venture applicable to the City of Jackson is fifty percent (50%).

CITY OF JACKSON
Notes to Financial Statements
September 30, 2003

Note 4 – Other Information (Continued):

E. Sale of Rankin Sewage Disposal System:

During November 2002, the City Council passed a resolution directing the redemption of the outstanding \$9,000,000 City of Jackson, Mississippi Rankin Sewage Disposal Revenue Bonds, Series 1977-A and the redemption of the outstanding \$900,000 City of Jackson, Mississippi Rankin Sewage Disposal Revenue Bonds, Series 2000-A; approving and authorizing the execution of an escrow trust agreement in connection with the redemption of such bonds; and for related purposes.

At the date of sale, the outstanding maturities of the Refunded 1977-A Bonds were \$2,875,000, and the outstanding maturities of the Refunded 2000-A Bonds were \$680,000.

During fiscal year 2003, the City sold the Rankin Sewage Disposal System assets to the West Rankin Metropolitan Sewer Authority ("Authority") with a book value of \$25,439,389; and as a portion of the purchase price of the Rankin System, the Authority paid off the existing indebtedness redeeming the outstanding maturities in the amount of \$3,555,000. The City incurred a loss of \$21,884,389 from the sale of these assets.

The funds used to construct the Rankin Sewage Disposal System were 75% federal funds and 25% matching funds from the Rankin contracting parties. Since the contracting parties did not have bonding capacity, the City of Jackson issued bonds on behalf of the contracting parties to provide the 25% matching funds. The contracting parties paid these bonds by transferring monthly payments to the City of Jackson, who then paid the annual bond payments.

As part of the sale agreement, the contracting parties comprising of the Authority, agreed to enter into a 30-year agreement with the City of Jackson to treat the Authority's wastewater.

The Authority will pay to the City of Jackson a proportionate share of the treatment cost incurred by the City's wastewater treatment plant. The expected revenue received by the City of Jackson under this agreement will be \$1,355,964 annually for the next 30 years.

Note 5 – Prior Period Adjustment

In reviewing the City of Jackson's fixed assets for GASBS 34 reporting, it was discovered that buildings were understated by \$13,943,371 in the previous year Statement of Net Assets for governmental activities.

CITY OF JACKSON
Required Supplemental Information
Employees' Retirement Systems
Schedule of Funding Progress
(Unaudited)
September 30, 2003

The City of Jackson participates in two retirement systems administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multi-employer, cost-sharing pension plan and an agent multi-employer pension plan as described below:

Public Employees' Retirement System

1. Plan Description and Provisions

Substantially all City of Jackson full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Section 21-29-201 of the Mississippi Code of 1942 as annotated, and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

2. Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City of Jackson is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Annual Pension Cost. For 2003, the City's annual pension cost of \$000,000 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0% per year, and (c) 1.0% per year cost-of-living adjustments. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. PERS's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2003 was 00 years.

Three-Year Trend Information for PERS

(Dollar amounts in Thousands)

<u>Fiscal Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/01	\$ (22)	100%	\$ 0
9/30/02	(363)	100%	0
9/30/03	-	-	-

CITY OF JACKSON
Required Supplemental Information
Employees' Retirement System
Schedule of Funding Progress
(Unaudited)
September 30, 2003

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for PERS

(Dollar amounts in Thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) b-a</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage Of Covered Payroll ((b-a)/c)</u>
9/30/01	\$143,619	\$137,414	(6,205)	104.5	1,965	(315.8)
9/30/02	139,191	148,091	8,900	94.0	1,263	704.7
9/30/03	-	-	-	-	-	-

Disability and Relief- Municipal Retirement Systems Pension Plan

1. Plan Description

The City of Jackson contributes to the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS), an agent multiple-employer defined benefit pension plan administered by the Public Employees' Retirement System of Mississippi. The City's uniformed police officers and firefighters employed prior to April 1, 1976, participate in MRS. Firefighters and police officers employed subsequent to April 1, 1976, are members of the Public Employees' Retirement System of the State as previously described. MRS provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Legislation may be amended only by the State of Mississippi Legislature. At September 30, 2003, the date of the most recent actuarial verification, there were 17 participating municipal employers. PERS issues a publicly available financial report that includes financial statements and required supplementary information for MRS. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF JACKSON
Required Supplemental Information
Employees' Retirement System
Schedule of Funding Progress
(Unaudited)
September 30, 2003

2. Basis of Accounting

MRS uses the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed, investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments for MRS are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit rating. Mortgage securities are valued on the basis of future principal and interest payments and counted at prevailing interest rates for similar instruments. Short-term investments are reported at market value when published prices are available, or at cost plus accrued interest, which approximates market or fair value. For individual investments where no readily ascertainable market value exists, the Public Employees' Retirement System, in consultation with their investment advisors and custodial bank, has determined the fair values.

3. Funding Status and Progress

The actuarial accrued liability is a measure intended to (i) help users assess the plan's funding status on a going-concern basis, and (ii) assess progress being made in accumulating sufficient assets to pay benefits when due. For the years ending September 30, 1994, and prior, the actuarial value of assets was equal to book value. Beginning with the September 30, 1995, actuarial valuation, the actuarial value of assets will be determined on a market related basis that recognizes 20% of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the system's annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

The entry age actuarial accrued liability was determined as part of an actuarial valuation of the system (but not used for funding purposes) as of September 30, 2003. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.0% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 1% per year compounded annually, attributable to seniority/merit. At September 30, 2003, the unfunded actuarial accrued liability was determined as follows:

CITY OF JACKSON
Required Supplemental Information
Employees' Retirement System
Schedule of Funding Progress
(Unaudited)
September 30, 2003

<u>Actuarial Accrued Liability</u>	<u>(In Thousands of Dollars)</u>
Retirees and beneficiaries currently receiving benefits	\$000,000
Active members	00,000
Vested terminated members not yet receiving benefits	<u>—</u>
Total actuarial accrued liability	000,000
Actuarial Value of Assets	<u>00,000</u>
Unfunded actuarial accrued liability	<u>\$ 0,000</u>

During the year ended September 30, 2003 the plan experienced an estimated net change of \$00,000 in the Actuarial Accrued Liability. Of the change, \$00,000 was attributable to plan amendments and none was attributable to assumption changes.

4. Contributions Required and Contributions Made

The funding policy for MRS provides for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. In developing the annual required contribution shown below, the normal cost and actuarial accrued liability are determined using the entry age actuarial cost method. Unfunded actuarial accrued liability is being amortized on an open basis as a level dollar amount over a period of 40 years. In practice, the current financing arrangement provides for a contribution determined as a percentage of each city's assessed property valuation. The City's contribution for the year ended September 30, 2003, was 0.00 mills on property valuation. The City's active MRS members contribute ten percent of their base salaries to the plan. This difference has historically resulted in the actual contribution being less than the annual required contribution.

During the year ended September 30, 2003, contributions totaling approximately \$000,000 (\$000,000 employer and \$000,000 employee) were made in accordance with contribution requirements determined by the actuarial valuation of the system as of September 30, 1997. The employer contributions consisted of approximately \$000,000 for normal cost and administrative expenses.

**NON-MAJOR
GOVERNMENTAL FUNDS**

Nonmajor Governmental Funds

Special Revenue Funds

Parks and Recreation Fund

To account for the operation and maintenance of all City-owned parks. Financing is provided by a 2-Mill annual property tax levy, admissions, fees and concessions. Appropriations are made from General Fund sources to the extent that such tax levy and other revenues are not sufficient to finance expenditures.

Federal Grant Fund

To account for proceeds of various federal grant programs other than those grants for Enterprise Fund or Capital Projects Fund items.

State Grant Fund

To account for proceeds of state grants or loans other than those grant or loans for Enterprise Fund or Capital Projects Fund items.

Disability and Relief Fund

To account for the receipt of revenues, principally tax levies, and subsequent distribution to the Public Employee's Retirement System of Mississippi, for payment of pensions of retired and disabled police and firemen employed prior to April 1, 1976.

Capital Project Funds

Industrial Park Bond Fund, 1982-A

To account for proceeds of general obligation bonds of \$3,000,000 to establish an industrial park.

Street Construction Bond Fund, 1983

To account for proceeds of general obligation bonds of \$18,474,000 for constructing, improving and paving certain streets and parts of streets in the City.

Industrial Park Bond fund, 1986-A

To account for proceeds of general obligation bonds of \$4,500,000 for public works improvements in an industrial park.

1988 Construction Bond Fund

To account for proceeds of general obligation bonds of \$43,325,000 issued to finance certain projects including constructing and improving streets, storm drainage systems, parks and municipal buildings, and purchasing fire fighting equipment.

Special Assessment Bond Fund 1982

To account for proceeds of general obligation bonds of \$1,425,000 issued to finance certain street improvements and other improvements and related facilities.

G.O. Capital Improvement Fund 1994

To account for proceeds of general obligation bonds of \$7,850,000 issued to finance the improvement and extension of the storm drainage system of the city, the construction, improvement or paving of streets, sidewalks and walkways and the purchase of land therefore and the purchase of firefighting equipment and apparatus, the construction of housing for the same and the purchase of land there

1996 Tax Increment Limited Obligation Metro Station Construction

To account for proceeds of general obligation bonds of \$1,650,000 issued to finance the costs of constructing various infrastructure improvements including, but not limited to, the construction and reconstruction of streets and utilities and the acquisition of land in connection therewith and other cost incidental to the construction.

City of Jackson
Combining Balance Sheet
Nonmajor Governmental Funds
For the year ended September 30, 2003

	Special Revenue				
	Parks and Recreation	Federal Grant	State Grant	Disability and Relief	Total
ASSETS					
Cash and Cash Equivalent	\$ 492,926	\$ 989,719	\$ 10,058	\$ 2,008,714	\$ 3,501,417
Investments	399,860	-	-	21,693	421,553
Accounts Receivable	8,203	-	96,309	-	104,512
Other Receivable	5,435	-	-	-	5,435
Intergovernmental Receivable	-	1,652,418	-	-	1,652,418
Total Current Asset	<u>\$ 906,424</u>	<u>\$ 2,642,137</u>	<u>\$ 106,367</u>	<u>\$ 2,030,407</u>	<u>\$ 5,685,335</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 194,829	\$ 454,901	\$ 62,475	\$ 216,014	\$ 928,219
Contracts Payable	-	139,181	-	-	139,181
Deferred Revenue	1,598	939,167	516	4,044	945,325
Other Liabilities	8,877	6,250	(496)	-	14,631
Due to other funds	-	250,000	10,838	-	260,838
Total liabilities	<u>205,304</u>	<u>1,789,499</u>	<u>73,333</u>	<u>220,058</u>	<u>2,288,194</u>
FUND BALANCES					
Reserved for encumbrances	-	-	-	-	-
sub total	701,120	852,638	33,034	1,810,349	3,397,141
Unrestricted	<u>701,120</u>	<u>852,638</u>	<u>33,034</u>	<u>1,810,349</u>	<u>3,397,141</u>
Total fund balances	<u>701,120</u>	<u>852,638</u>	<u>33,034</u>	<u>1,810,349</u>	<u>3,397,141</u>
Total Liabilities and Fund balances	<u>\$ 906,424</u>	<u>\$ 2,642,137</u>	<u>\$ 106,367</u>	<u>\$ 2,030,407</u>	<u>\$ 5,685,335</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects

Industrial Park Bond	Street Construction Bond	1986 Industrial Park Bond	1988 Construction Bond	1992 Special Assessment Bond	1994 GO Bond Capital Improvement	1996 Metro Station	Total	Total Nonmajor Governmental Funds
\$ -	\$ 17,119	\$ 1,719	\$ 2,015,938	\$ 1,931	\$ 133,912	\$ 11,321	\$ 2,181,939	\$ 5,683,356
250,000	-	-	1,500,085	-	870,000	-	2,620,085	3,041,638
16,316	-	-	-	-	-	-	16,316	120,828
-	-	-	8,257	-	2,197	-	10,453	15,888
-	-	-	-	-	-	-	-	1,652,418
<u>\$ 266,317</u>	<u>\$ 17,119</u>	<u>\$ 1,719</u>	<u>\$ 3,524,280</u>	<u>\$ 1,931</u>	<u>\$ 1,006,108</u>	<u>\$ 11,321</u>	<u>\$ 4,828,793</u>	<u>\$ 10,514,128</u>
\$ 41,572	\$ -	\$ -	\$ 270	\$ -	\$ 13,838	\$ 73,054	\$ 128,733	\$ 1,056,952
-	-	-	-	-	-	-	-	139,181
-	-	-	-	-	-	-	-	945,325
-	-	-	-	-	-	-	-	14,631
-	-	-	-	-	-	-	-	260,838
<u>41,572</u>	<u>-</u>	<u>-</u>	<u>270</u>	<u>-</u>	<u>13,838</u>	<u>73,054</u>	<u>128,733</u>	<u>2,416,927</u>
-	-	-	-	-	-	-	-	-
224,745	17,119	1,719	3,524,010	1,931	992,270	(61,733)	4,700,060	8,097,201
<u>224,745</u>	<u>17,119</u>	<u>1,719</u>	<u>3,524,010</u>	<u>1,931</u>	<u>992,270</u>	<u>(61,733)</u>	<u>4,700,060</u>	<u>8,097,201</u>
<u>224,745</u>	<u>17,119</u>	<u>1,719</u>	<u>3,524,010</u>	<u>1,931</u>	<u>992,270</u>	<u>(61,733)</u>	<u>4,700,060</u>	<u>8,097,201</u>
<u>\$ 266,317</u>	<u>\$ 17,119</u>	<u>\$ 1,719</u>	<u>\$ 3,524,280</u>	<u>\$ 1,931</u>	<u>\$ 1,006,108</u>	<u>\$ 11,321</u>	<u>\$ 4,828,793</u>	<u>\$ 10,514,128</u>

City of Jackson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended September 30, 2003

	Special Revenue					
	Parks and Recreation	Federal Grant	State Grant	Disability and Relief	Total	Industrial Park Bond
REVENUES						
General property taxes	\$ 2,103,464	\$ -	\$ -	\$ 5,371,638	\$ 7,475,102	\$ -
Intergovernmental	180,483	10,680,073	223,923	168,583	11,253,062	-
Admissions, fees, rentals and concessions	426,779	-	-	800	427,579	-
Interest	11,417	6,303	407	40,950	59,077	3,246
Other	9,903	446,709	-	85,101	541,713	-
Total revenues	<u>2,732,046</u>	<u>11,133,085</u>	<u>224,330</u>	<u>5,667,072</u>	<u>19,756,533</u>	<u>3,246</u>
EXPENDITURES						
Current Operations:						
Personnel Services	3,837,446	3,331,376	84,220	-	7,253,042	-
Supplies	704,346	1,471,779	5,530	-	2,181,655	84,659
Other Services and Charges	1,305,449	5,934,018	140,878	301,115	7,681,460	61,249
Capital Outlay	239,340	830,731	-	-	1,070,071	-
Debt Service:						
Principal	-	-	-	3,790,000	3,790,000	-
Interest and service charges	-	-	-	2,294,867	2,294,867	-
Total expenditures	<u>6,086,581</u>	<u>11,567,904</u>	<u>230,628</u>	<u>6,385,982</u>	<u>24,271,095</u>	<u>145,908</u>
Excess (deficiency) of revenues over expenditures	<u>(3,354,535)</u>	<u>(434,819)</u>	<u>(6,298)</u>	<u>(718,910)</u>	<u>(4,514,562)</u>	<u>(142,662)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in:						
General Fund	3,393,165	903,351	1,833	-	4,298,349	-
Transfers out:						
General Fund	<u>(9,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,383,665</u>	<u>903,351</u>	<u>1,833</u>	<u>-</u>	<u>4,288,849</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	29,130	468,532	(4,465)	(718,910)	(225,713)	(142,662)
Fund balances at beginning of year	<u>671,990</u>	<u>384,106</u>	<u>37,499</u>	<u>2,529,259</u>	<u>3,622,854</u>	<u>367,407</u>
Fund balances at end of year	<u>\$ 701,120</u>	<u>\$ 852,638</u>	<u>\$ 33,034</u>	<u>\$ 1,810,349</u>	<u>\$ 3,397,141</u>	<u>\$ 224,745</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects

Street Construction Bond	1986 Industrial Park Bond	1988 Construction Bond	1992 Special Assesment Bond	1994 GO Bond Capital Improvement	1996 Metro Station	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,475,102
-	-	-	-	-	-	-	11,253,062
-	-	-	-	-	-	-	427,579
149	16	53,635	17	10,954	99	68,116	127,193
-	-	-	-	-	-	-	541,713
<u>149</u>	<u>16</u>	<u>53,635</u>	<u>17</u>	<u>10,954</u>	<u>99</u>	<u>68,116</u>	<u>19,824,649</u>
-	-	-	-	-	-	-	7,253,042
-	-	-	-	-	-	84,659	2,266,314
-	-	972,385	-	116,053	-	1,149,687	8,831,147
-	-	-	-	-	-	-	1,070,071
-	-	-	-	-	-	-	3,790,000
-	-	-	-	-	-	-	2,294,867
-	-	972,385	-	116,053	-	1,234,346	25,505,441
<u>149</u>	<u>16</u>	<u>(918,750)</u>	<u>17</u>	<u>(105,099)</u>	<u>99</u>	<u>(1,166,230)</u>	<u>(5,680,792)</u>
-	-	-	-	-	-	-	4,298,349
-	-	-	-	-	-	-	(9,500)
-	-	-	-	-	-	-	4,288,849
149	16	(918,750)	17	(105,099)	99	(1,166,230)	(1,391,943)
<u>16,970</u>	<u>1,703</u>	<u>4,442,760</u>	<u>1,914</u>	<u>1,097,369</u>	<u>(61,832)</u>	<u>5,866,291</u>	<u>9,489,145</u>
<u>\$ 17,119</u>	<u>\$ 1,719</u>	<u>\$ 3,524,010</u>	<u>\$ 1,931</u>	<u>\$ 992,270</u>	<u>\$ (61,733)</u>	<u>\$ 4,700,061</u>	<u>\$ 8,097,202</u>

City of Jackson
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
As of September 30, 2003

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
REVENUES				
General property taxes				
Current realty taxes	\$ 5,935,184	\$ 5,964,800	\$ 5,964,772	\$ (28)
Current personal taxes	3,218,053	2,963,000	2,994,373	31,373
Delinquent taxes	40,000	63,500	85,111	21,611
Automobile ad valoren taxes	1,397,729	1,445,000	1,445,241	241
Homestead exemption	320,000	318,487	317,237	(1,250)
Interest	100,000	76,238	121,269	45,031
Special assessments	-	-	37,515	37,515
Other revenues	80,000	1,523,315	1,538,306	14,991
Total revenues	<u>11,090,966</u>	<u>12,354,340</u>	<u>12,503,824</u>	<u>149,484</u>
EXPENDITURES				
General obligation bonds				
Principal	7,380,000	7,380,000	7,380,000	-
Interest	3,196,369	3,771,370	3,769,607	1,763
Bank service charge	30,000	29,999	1,880	28,119
Tax Increment LO Bds-Junc. 95 Bonds Funds				
Principal	180,000	180,000	180,000	-
Interest	65,860	65,860	73,870	(8,010)
Bank service charge	5,000	5,000	1,500	3,500
Tilo 96 Metro Station Bond Funds				
Principal	145,000	145,000	145,000	-
Interest	76,850	76,850	76,850	-
Bank service charge	5,000	5,000	1,500	3,500
Public Improvement				
Principal	1,805,000	1,805,000	1,805,000	-
Interest	38,356	38,356	38,356	-
Bank service charge	4,000	4,000	3,136	864
Other	5,349	450,000	449,609	391
Total expenditures	<u>12,936,784</u>	<u>13,956,435</u>	<u>13,926,308</u>	<u>30,127</u>
Deficiency of revenues over (under) expenditures	(1,845,818)	(1,602,095)	(1,422,484)	179,611
OTHER FINANCING SOURCES(USES)				
Transfers in	1,944,489	2,519,489	11,626,053	9,106,564
Transfers out	(1,944,489)	(2,819,489)	(11,654,555)	(8,835,066)
Proceeds from long term debt	-	-	-	-
Premium on GO Bond	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources and uses	-	(300,000)	(28,502)	271,498
Net change in fund balances	(1,845,818)	(1,902,095)	(1,450,986)	451,109
Fund balances at beginning of year	1,902,095	1,902,095	1,902,095	-
Fund balances at end of year	\$ 56,277	\$ -	\$ 451,109	\$ 451,109

City of Jackson
Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	970,000	1,070,000	786,732	(283,268)
Intergovernmental Revenue	18,786,564	20,908,062	11,194,710	(9,713,352)
Interest	20,000	23,250	26,337	3,087
Other revenues	2,738,900	2,844,155	636,750	(2,207,405)
Total revenues	<u>22,515,464</u>	<u>28,845,467</u>	<u>12,644,529</u>	<u>(12,200,938)</u>
EXPENDITURES				
Current Operations				
Personnel services	1,000	7,000	4,589	(2,411)
Supplies	31,500	106,199	361,565	255,366
Other Services and Charges	27,482,434	29,193,931	12,864,288	(16,329,643)
Capital Outlay	35,555	400,405	10,208	(390,197)
Total expenditures	<u>27,550,489</u>	<u>29,707,535</u>	<u>13,240,650</u>	<u>(16,466,885)</u>
Deficiency of revenues over (under) expenditures	(5,035,025)	(4,862,068)	(596,121)	4,265,947
OTHER FINANCING SOURCES(USES)				
Transfers in	221,200	221,200	764,200	543,000
Transfers in from component unit	(4,813,825)	(4,640,868)		4,640,868
Transfers out	-	-	-	-
Proceeds from long term debt	-	-	-	-
Total other financing sources and uses	<u>(4,592,625)</u>	<u>(4,419,668)</u>	<u>764,200</u>	<u>5,183,868</u>
Net change in fund balances	(9,627,650)	(9,281,736)	168,079	9,449,815
Fund balances at beginning of year	-	-	4,812,508	4,812,508
Fund balances at end of year	<u>(9,627,650)</u>	<u>(9,281,736)</u>	<u>4,980,587</u>	<u>14,262,323</u>

City of Jackson
1998 GO Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Intergovernmental Revenue	\$ 175,000	\$ 175,000	\$ -	\$ (175,000)
Interest	300,000	275,000	261,320	(13,680)
Total revenues	<u>475,000</u>	<u>450,000</u>	<u>261,320</u>	<u>(188,680)</u>
EXPENDITURES				
Current Operations				
Other services and charges	13,996,064	13,893,395	2,382,607	(11,510,788)
Total expenditures	<u>13,996,064</u>	<u>13,893,395</u>	<u>2,382,607</u>	<u>(11,510,788)</u>
Deficiency of revenues over (under) expenditures	(13,521,064)	(13,443,395)	(2,121,287)	11,322,108
OTHER FINANCING SOURCES(USES)				
Transfers in	-	9,500	9,500	-
Total other financing sources and uses	<u>-</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
Net change in fund balances	(13,521,064)	(13,433,895)	(2,111,787)	11,322,108
Fund balances at beginning of year	-	-	19,381,127	19,381,127
Fund balances at end of year	<u>\$ (13,521,064)</u>	<u>\$ (13,433,895)</u>	<u>\$ 17,269,340</u>	<u>\$ 30,703,235</u>

City of Jackson
2003 GO Public Improvement Bond Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ -	\$ 2,675,000	\$ 50,017	\$ (2,624,983)
Interest	-	206,000	165,543	(40,457)
Total revenues	-	2,881,000	215,560	(2,665,440)
EXPENDITURES				
Current Operations				
Other services and charges	-	2,521,200	921,739	(1,599,461)
Total expenditures	-	2,521,200	921,739	(1,599,461)
Deficiency of revenues over (under) expenditures	-	359,800	(706,179)	(1,065,979)
OTHER FINANCING SOURCES(USES)				
Sale of Bonds	-	20,000,000	20,000,000	-
Total other financing sources and uses	-	20,000,000	20,000,000	-
Net change in fund balances	-	20,359,800	19,293,821	(1,065,979)
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ 20,359,800	\$ 19,293,821	\$ (1,065,979)

City of Jackson
Parks and Recreation Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2003
(Amounts Expressed in Thousands)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
General property taxes	\$ 2,125,858	\$ 2,096,611	\$ 2,103,464	\$ (6,853)
Intergovernmental	194,585	185,000	180,483	4,517
Admissions, fees, rentals and concessions	318,718	445,300	426,779	18,521
Interest	10,643	7,000	11,417	(4,417)
Other	186,865	686,434	9,903	676,531
Total revenues	<u>2,836,669</u>	<u>3,420,345</u>	<u>2,732,046</u>	<u>688,299</u>
EXPENDITURES				
Current Operations:				
Personnel Services	4,592,699	4,195,201	3,837,446	357,755
Supplies	647,134	918,559	704,346	214,213
Other Services and Charges	1,089,349	1,443,219	1,305,449	137,770
Capital Outlay	130,100	307,610	239,340	68,270
Debt Service:				
Total expenditures	<u>6,459,282</u>	<u>6,864,589</u>	<u>6,086,581</u>	<u>778,008</u>
Excess (deficiency) of revenues over expenditures	<u>(3,622,613)</u>	<u>(3,444,244)</u>	<u>(3,354,535)</u>	<u>(89,709)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in:				
General Fund	3,622,613	3,393,165	3,393,165	-
Operating Transfers (Out):				
General Fund	-	(9,500)	(9,500)	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>3,622,613</u>	<u>3,383,665</u>	<u>3,383,665</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	(60,579)	29,130	(89,709)
Fund balances at beginning of year	-	-	671,990	(671,990)
Fund balances at end of year	<u>\$ -</u>	<u>\$ (60,579)</u>	<u>\$ 701,120</u>	<u>\$ (761,699)</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Federal Grants Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2003
(Amounts Expressed in Thousands)

	Original Budgeted Amounts	Final Budgeted Amounts	Actuals	Variance
REVENUES				
Intergovernmental	\$ 21,244,203	\$ 25,185,122	\$ 10,680,073	\$ 14,505,049
Interest	19,302	19,563	6,303	13,260
Other	250,000	997,624	446,709	550,915
Total revenues	<u>21,513,505</u>	<u>26,202,309</u>	<u>11,133,085</u>	<u>15,069,224</u>
EXPENDITURES				
Current Operations:				
Personnel Services	4,004,187	4,387,131	3,331,376	1,055,755
Supplies	339,856	1,009,492	1,471,779	(462,287)
Other Services and Charges	12,577,127	15,247,863	5,934,018	9,313,845
Capital Outlay	2,217,332	2,406,056	830,731	1,575,325
Debt Service:				
Total expenditures	<u>19,138,502</u>	<u>23,050,542</u>	<u>11,567,904</u>	<u>11,482,638</u>
Excess (deficiency) of revenues over expenditures	<u>2,375,003</u>	<u>3,151,767</u>	<u>(434,819)</u>	<u>3,586,586</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in:				
General Fund	750,333	903,351	903,351	-
Operating Transfers (Out):				
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>750,333</u>	<u>903,351</u>	<u>903,351</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>3,125,336</u>	<u>4,055,118</u>	<u>468,532</u>	<u>3,586,586</u>
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>384,106</u>	<u>(384,106)</u>
Fund balances at end of year	<u>\$ 3,125,336</u>	<u>\$ 4,055,118</u>	<u>\$ 852,638</u>	<u>\$ 3,202,480</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
State Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2003
(Amounts Expressed in Thousands)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 296,377	\$ 386,516	\$ 223,923	\$ 162,593
Interest	200	200	407	(207)
Total revenues	<u>296,577</u>	<u>386,716</u>	<u>224,330</u>	<u>162,386</u>
EXPENDITURES				
Current Operations:				
Personnel Services	151,696	151,696	84,220	67,476
Supplies	26,801	32,178	5,530	26,648
Other Services and Charges	79,000	164,762	140,878	23,884
Capital Outlay	38,880	37,880	-	37,880
Debt Service:				
Total expenditures	<u>296,377</u>	<u>386,516</u>	<u>230,628</u>	<u>155,888</u>
Excess (deficiency) of revenues over expenditures	<u>200</u>	<u>200</u>	<u>(6,298)</u>	<u>6,498</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in:				
General Fund	-	-	1,833	(1,833)
Operating Transfers (Out):				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,833</u>	<u>(1,833)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	200	200	(4,465)	4,665
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>37,499</u>	<u>(37,499)</u>
Fund balances at end of year	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 33,034</u>	<u>\$ (32,834)</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Disability and Relief Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2003
(Amounts Expressed in Thousands)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
General property taxes	\$ 5,420,661	\$ 5,420,661	\$ 5,371,638	\$ 49,023
Intergovernmental	380,000	380,000	168,583	211,417
Admissions, fees, rentals and concessions	2,000	2,000	800	1,200
Interest	160,000	160,000	40,950	119,050
Other	175,000	175,000	85,101	89,899
Total revenues	<u>6,137,661</u>	<u>6,137,661</u>	<u>5,667,072</u>	<u>470,589</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	500,000	650,000	301,115	348,885
Debt Service:				
Principal	3,790,000	3,790,000	3,790,000	-
Interest and service charges	<u>2,295,280</u>	<u>2,295,280</u>	<u>2,294,867</u>	<u>413</u>
Total expenditures	<u>6,585,280</u>	<u>6,735,280</u>	<u>6,385,982</u>	<u>349,298</u>
Excess (deficiency) of revenues over expenditures	<u>(447,619)</u>	<u>(597,619)</u>	<u>(718,910)</u>	<u>121,291</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in:				
Operating Transfers (Out):				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>(447,619)</u>	<u>(597,619)</u>	<u>(718,910)</u>	<u>121,291</u>
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>2,529,259</u>	<u>(2,529,259)</u>
Fund balances at end of year	<u>\$ (447,619)</u>	<u>\$ (597,619)</u>	<u>\$ 1,810,349</u>	<u>\$ (2,407,968)</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Industrial Park Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2003
(Amounts Expressed in Thousands)

	Original Budgeted Amounts	Final Budgeted Amounts	Actuals	Variance
REVENUES				
Interest	\$ -	\$ -	\$ 3,246	\$ (3,246)
Total revenues	-	-	3,246	(3,246)
EXPENDITURES				
Current Operations:				
Supplies	-	84,854	84,659	195
Other Services and Charges	56,000	79,100	61,249	17,851
Total expenditures	56,000	163,954	145,908	18,046
Deficiency of revenues over (under) expenditures	56,000	163,954	(142,662)	(21,292)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Transfers out:				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	56,000	163,954	(142,662)	(21,292)
Fund balances at beginning of year	-	-	367,407	(367,407)
Fund balances at end of year	\$ 56,000	\$ 163,954	\$ 224,745	\$ (388,699)

The notes to the financial statements are an integral part of this statement.

City of Jackson
1994 GO Bond Capital Improvement Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2003
(Amounts Expressed in Thousands)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actuals</u>	<u>Variance</u>
REVENUES				
Interest	\$ 31,200	\$ 31,200	\$ 10,954	\$ 20,246
Total revenues	<u>31,200</u>	<u>31,200</u>	<u>10,954</u>	<u>20,246</u>
EXPENDITURES				
Current Operations:				
Other Services and Charges	<u>769,525</u>	<u>1,069,525</u>	<u>116,053</u>	<u>953,472</u>
Total expenditures	<u>769,525</u>	<u>1,069,525</u>	<u>116,053</u>	<u>953,472</u>
Deficiency of revenues over (under) expenditures	<u>(738,325)</u>	<u>(1,038,325)</u>	<u>(105,099)</u>	<u>(933,226)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Transfers out:				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(738,325)</u>	<u>(1,038,325)</u>	<u>(105,099)</u>	<u>(933,226)</u>
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>1,097,369</u>	<u>(1,097,369)</u>
Fund balances at end of year	<u>\$ (738,325)</u>	<u>\$ (1,038,325)</u>	<u>\$ 992,270</u>	<u>\$ (2,030,595)</u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
1988 Construction Bond Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the year ended September 30, 2003
(Amounts Expressed in Thousands)

	Original Budgeted Amounts	Final Budgeted Amounts	Actuals	Variance
REVENUES				
Interest	\$ 45,000	\$ 45,000	\$ 53,635	\$ (8,635)
Total revenues	45,000	45,000	53,635	(8,635)
EXPENDITURES				
Current Operations:				
Other Services and Charges	1,781,775	1,781,775	972,385	809,390
Total expenditures	1,781,775	1,781,775	972,385	809,390
Deficiency of revenues over (under) expenditures	(1,736,775)	(1,736,775)	(918,750)	(818,025)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Transfers out:				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(1,736,775)	(1,736,775)	(918,750)	(818,025)
Fund balances at beginning of year	-	-	4,442,760	(4,442,760)
Fund balances at end of year	\$ (1,736,775)	\$ (1,736,775)	\$ 3,524,010	\$ (5,260,785)

The notes to the financial statements are an integral part of this statement.

**NON-MAJOR
ENTERPRISE FUNDS**

Nonmajor Enterprise

Madison Sewage Disposal System Fund

To account for costs of construction, operation and maintenance of the East Madison County Sewage Disposal System. The City of Ridgeland, Mississippi, will be responsible for the service contracts with other entities within Madison County participating in the system.

Transportation Fund

To account for the operational costs of the City's transit system. Deficiencies in revenues over expenses are financed by the City.

Sanitation and Recycling Fund

To account for the operational costs of the City's sanitation and recycling service. Deficiencies in revenues over expenses are financed by the City.

City of Jackson
Statement of Net Assets
Proprietary Funds - Nonmajor Funds
For the Year Ended September 30, 2003

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Sanitation</u>	<u>Totals</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalent	\$ 912,640	\$ 1,141,473	\$ 454,103	\$ 2,508,216
Accounts receivable, less allowances for Sanitation and Recycling Fund	-	-	1,086,283	1,086,283
Intergovernmental Receivable	-	545,694	-	545,694
Other Receivable	-	-	60	60
Due from Other Funds	198,174	-	-	198,174
Investments	-	-	399,860	399,860
Total Current Asset	<u>1,110,814</u>	<u>1,687,167</u>	<u>1,940,306</u>	<u>4,738,287</u>
Deferred charges - bond costs	-	-	-	-
Property, Plant and Equipment, at Cost				
Land	-	-	-	-
Buildings	-	1,649,646	29,938	1,679,583
Water plant, distribution system and equipment	453,844	410,690	-	864,534
Automotive and other equipment	-	9,267,999	1,273,393	10,541,392
	453,844	11,328,335	1,303,331	13,085,509
Less: accumulated depreciation	<u>(122,661)</u>	<u>(7,240,321)</u>	<u>(737,903)</u>	<u>(8,100,885)</u>
	331,183	4,088,014	565,428	4,984,624
Construction in progress	<u>13,800</u>	<u>-</u>	<u>-</u>	<u>13,800</u>
Net property, plant and equipment	<u>344,983</u>	<u>4,088,014</u>	<u>565,428</u>	<u>4,998,424</u>
Total Assets	<u><u>\$ 1,455,797</u></u>	<u><u>\$ 5,775,181</u></u>	<u><u>\$ 2,505,734</u></u>	<u><u>\$ 9,736,712</u></u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Net Assets
Proprietary Funds - Nonmajor Funds
For the Year Ended September 30, 2003

LIABILITIES	Madison Sewage	Transportation	Sanitation	Totals
Current Liabilities:				
Accounts Payable	\$ 7,334	\$ 269,573	\$ 718,334	\$ 995,241
Due to other funds	-	2,133,417	1,347,840	3,481,257
Other	-	-	(3,243)	(3,243)
Current portion of long term debt:				
Lease Obligations	-	194,246	116,680	310,926
Total current liabilities	7,334	2,597,236	2,179,611	4,784,181
Current Liabilities Payable from Restricted Assets:				
Current portion of revenue bonds	-	-	-	-
Total current liabilities payable from restricted assets	-	-	-	-
Long Term Debt (less amounts classified as current liabilities):				
Revenue bonds (net of unamortized discount)	-	-	-	-
Lease obligation	-	621,696	188,857	810,553
Total long-term debt	-	621,696	188,857	810,553
Total liabilities	7,334	3,218,932	2,368,468	5,594,734
NET ASSETS				
Invested in Capital Assets, net of related debt	344,983	3,272,072	259,891	3,876,946
Unrestricted	1,103,480	(715,823)	(122,628)	265,029
Total Net Assets	1,448,463	2,556,249	137,263	4,141,975
Total liabilities and net assets	\$ 1,455,797	\$ 5,775,181	\$ 2,505,734	\$ 9,736,712

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds - Nonmajor Funds
For the Year Ended September 30, 2003

	Madison Sewage	Transportation	Sanitation	Totals
Operating Revenues:				
Sales to Customers	\$ 868,215	\$ 524,819	\$ 7,668,776	\$ 9,061,810
Other Revenue	-	1,254,740	153,583	1,408,323
Total Operating revenues	<u>868,215</u>	<u>1,779,559</u>	<u>7,822,359</u>	<u>10,470,133</u>
Operating Expenses:				
Personnel Services	24,350	229,284	711,419	965,053
Supplies	127	323,072	138,466	461,665
Other services and charges	51,647	4,534,263	8,152,646	12,738,556
Provision for bad debt	-	-	-	-
Depreciation	7,937	653,250	72,590	733,778
Total operating expenses	<u>84,061</u>	<u>5,739,869</u>	<u>9,075,121</u>	<u>14,899,052</u>
Operating Income (loss)	<u>784,154</u>	<u>(3,960,310)</u>	<u>(1,252,762)</u>	<u>(4,428,919)</u>
Nonoperating Revenues (Expenses):				
Interest revenue	4,471	3,062	6,397	13,930
Interest and service charges on long term debt				
Gain (loss) on sale of fixed assets	-	348	-	348
Total nonoperating revenues (expenses)	<u>4,471</u>	<u>3,410</u>	<u>6,397</u>	<u>14,278</u>
Income (loss) before operating transfers	<u>788,625</u>	<u>(3,956,900)</u>	<u>(1,246,365)</u>	<u>(4,414,641)</u>
Transfers In:				
General Fund	-	3,657,455	1,378,488	5,035,943
Total transfers in (out)	<u>-</u>	<u>3,657,455</u>	<u>1,378,488</u>	<u>5,035,943</u>
Change in Net Assets	<u>788,625</u>	<u>(299,445)</u>	<u>132,123</u>	<u>621,302</u>
Total net assets - beginning	<u>659,838</u>	<u>2,855,868</u>	<u>5,144</u>	<u>3,520,850</u>
Total net assets - ending	<u><u>\$ 1,448,463</u></u>	<u><u>\$ 2,556,423</u></u>	<u><u>\$ 137,267</u></u>	<u><u>\$ 4,142,152</u></u>

The notes to the financial statements are an integral part of this statement.

City of Jackson
Statement of Cash Flows
Proprietary Funds - Nonmajor Funds
For the year ended September 30, 2002

	<u>Madison Sewage</u>	<u>Transportation</u>	<u>Sanitation</u>	<u>Totals</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 868,215	\$ 524,819	\$ 7,564,521	\$ 8,957,555
Receipts from Interfund Services Provided	-	-	-	-
Receipts from other revenue	-	1,982,246	84,737	2,066,983
Payments to Suppliers	(54,703)	(4,681,673)	(8,137,122)	(12,873,499)
Payments to employees	(24,350)	(229,284)	(711,419)	(965,053)
Net Cash Provided by (used for)				
Operating activities	<u>789,162</u>	<u>(2,403,892)</u>	<u>(1,199,283)</u>	<u>(2,814,014)</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	-	3,657,455	1,378,488	5,035,943
Net Cash Provided by (Used for) Noncapital financing activities)	<u>-</u>	<u>3,657,455</u>	<u>1,378,488</u>	<u>5,035,943</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	-	(66,400)	(3,971)	(70,371)
Proceeds from sales of capital assets	-	174	-	174
Proceeds from capital leases	-	-	68,846	68,846
Principal paid on capital debt	-	(184,341)	(113,459)	(297,799)
Net cash used for capital and related financing activities	<u>-</u>	<u>(250,567)</u>	<u>(48,584)</u>	<u>(299,150)</u>
Cash flow provided by (used for) investing activities:				
Purchase of investment securities	(2,939,529)	-	-	(2,939,529)
Proceeds from sale and maturities of investment securities	2,939,529	-	(399,860)	2,539,669
Interest on investments	4,471	3,062	6,397	13,930
Net cash provided by investing activities	<u>4,471</u>	<u>3,062</u>	<u>(393,463)</u>	<u>(385,930)</u>
Net increase (decrease) in cash and cash equivalents	793,633	1,006,058	(262,842)	1,536,849
Cash and cash equivalents at beginning of year	<u>119,007</u>	<u>135,415</u>	<u>716,946</u>	<u>971,368</u>
Cash and cash equivalents at end of year	<u>\$ 912,640</u>	<u>\$ 1,141,473</u>	<u>\$ 454,103</u>	<u>\$ 2,508,216</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 784,154	\$ (3,960,311)	\$ (1,321,609)	\$ (4,497,766)
Depreciation expense	7,937	653,250	72,590	733,778
(Increase) decrease in accounts receivable, net	-	-	(130,365)	(130,365)
(Increase) decrease in other receivable	-	727,506	26,110	753,616
(Increase) decrease in accrued interest				
Increase (decrease) in accounts payable	(2,929)	175,662	153,990	326,723
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in accrued interest payable				
Increase (decrease) in other liabilities	-	-	-	-
Total adjustments	<u>5,008</u>	<u>1,556,418</u>	<u>122,325</u>	<u>1,683,752</u>
Net cash provided by operating activities	<u>\$ 789,162</u>	<u>\$ (2,403,892)</u>	<u>\$ (1,199,283)</u>	<u>\$ (2,814,014)</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE (1)
September 30, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Governmental funds capital assets:		
Land	\$ 14,885,743	\$ 14,939,873
Buildings	6,235,873	6,235,873
Automotive and equipment:	60,082,772	56,069,592
Infrastructure	75,650,110	72,124,793
Construction in progress	<u>52,121,547</u>	<u>43,383,030</u>
Total governmental funds capital assets	<u>\$ 208,976,045</u>	<u>\$ 192,753,161</u>
 Investment in governmental funds capital assets by source:		
Assets prior to 1985 not segregated by sources	\$ 14,002,713	\$ 14,002,713
General Fund revenues	56,230,030	54,464,506
Special Revenue Fund revenues	61,497,552	55,080,888
Special Assessment bonds	1,962,957	1,962,958
General Obligation bonds	38,057,896	33,576,899
Limited Obligation bonds	2,252,694	2,252,694
Debt Service Fund revenues	65,000	65,000
Federal grants	34,423,996	30,864,296
State grants	52,261	52,261
County grants	<u>430,946</u>	<u>430,946</u>
Total governmental funds capital assets	<u>\$ 208,976,045</u>	<u>\$ 192,753,161</u>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (1)
SEPTEMBER 30, 2003

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Assets prior to 1985 not segregated by function and activity	\$ 10,957,844	\$ -	\$ -	\$ 3,044,869	\$ -	\$ 14,002,713
General Government:						
Planning	944,473	19,273	-	229,127	47,958	1,240,831
Code Services	-	-	-	691,382	-	691,382
Telecommunication	-	857,161	8,943	92,993	1,391	960,488
Data Processing / Information System	-	-	-	4,675,783	76,750	4,752,533
Mayor's Office of Development Assistance	100,000	-	-	104,679	-	204,679
Office Services	-	-	-	144,666	-	144,666
Purchasing	-	-	-	49,702	-	49,702
Finance and Management	-	454,689	133,238	253,308	1,411,645	2,252,880
Personnel	-	-	-	204,264	-	204,264
Municipal Court Services	-	-	-	357,238	-	357,238
Vehicle Maintenance	-	1,163	-	620,668	-	621,831
Minority Business Development	-	-	-	27,597	-	27,597
Total general government	1,044,473	1,332,286	142,181	7,451,407	1,537,744	11,508,091
Urban Development and Housing:						
Neighborhood Enhancement Task	-	-	-	11,325	-	11,325
Redevelopment Projects	87,578	-	-	69,874	-	157,452
Post Office Project	500	-	-	-	-	500
Union Station	-	-	243,000	-	11,750,942	11,993,942
Total urban development and housing	88,078	-	243,000	81,199	11,750,942	12,163,219
Health and Welfare:						
Public Relations/Information	-	-	-	14,829	-	14,829
Senior Services	-	-	-	481,069	-	481,069
Day Care Services	-	56,370	16,109	138,308	-	210,787
Senior Centers/Community Centers	-	58,474	-	16,389	-	74,863
Group Home	46,245	-	-	-	-	46,245
Human and Cultural Services	-	3,129	1,876	62,159	-	67,164
Total health and welfare	46,245	117,973	17,985	712,754	-	894,957

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)
SEPTEMBER 30, 2003

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Public Safety:						
Fire Department	75,000	1,078,298	3,550,734	13,034,243	53,414	17,791,689
Police Department	23,250	372,817	856,190	21,441,443	1,456,160	24,149,859
Small Animal Control	-	8,538	-	17,746	23,053	49,337
Juvenile Justice	-	48,621	4,502,506	14,357	868,283	5,433,767
Emergency Management	-	-	-	17,914	-	17,914
Communication Center	-	258,576	-	300,903	-	559,479
Public Safety Garage	-	-	-	29,060	-	29,060
Total public safety	98,250	1,766,850	8,909,430	34,855,666	2,400,910	48,031,105
Public Works:						
Cemeteries	-	1,686	-	143,321	-	145,007
Engineering	585,273	106,385	500,000	6,495,157	18	7,686,833
Traffic Engineering	-	3,443	25,875	2,129,892	1,071,382	3,230,592
Traffic Signals	-	-	250,000	337,813	-	587,813
Care and Maintenance of Public Buildings	-	60,433	437,530	170,492	1,418,733	2,087,188
Custodial Services	-	-	-	124,897	-	124,897
Pest Control	-	-	-	1,426	-	1,426
Streets	354,278	-	39,450,781	83,537	17,692,703	57,581,298
Storm Drainage	-	-	20,909,528	194,308	4,045,394	25,149,231
Bridges	-	-	-	-	-	-
Soil Conservation	-	-	120,000	-	-	120,000
Recycling	-	-	-	-	-	-
Total public works	939,551	171,947	61,693,714	9,680,843	24,228,230	96,714,285
Culture and Recreation:						
Planetarium	-	165,463	-	471,376	34,963	671,802
Jackson Zoological Park	-	-	-	465,125	1,500,000	1,965,125
Municipal Art Building	-	1,152	29,049	4,381	-	34,582
Parks and Recreation	225,820	1,079,476	3,917,882	2,254,768	5,175,080	12,653,026
Teen Center	-	-	-	5,293	-	5,293
Library	-	735,132	-	156,099	1,294,421	2,185,652
Smith Robertson Cultural Center	-	123,158	185,738	4,245	293,322	606,463
City Auditorium and Art Center	-	691,512	511,131	61,255	1,020,678	2,284,576
Total culture and recreation	225,820	2,795,893	4,643,800	3,422,542	9,318,464	20,406,519

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (CONTINUED)
SEPTEMBER 30, 2003

	Land	Buildings	Infrastructure	Automotive and Equipment	Construction In Progress	Total
Miscellaneous:						
City Council/Mayor	-	47,468	-	373,566	2,885,256	3,306,290
City Clerk	-	-	-	175,329	-	175,329
Legal	-	3,456	-	227,382	-	230,838
Mayor's Action Line	-	-	-	39,172	-	39,172
Industrial Park	1,485,483	-	-	-	-	1,485,483
Internal Audit	-	-	-	18,043	-	18,043
Total miscellaneous	1,485,483	50,924	-	833,492	2,885,256	5,255,155
Total governmental funds capital assets	\$ 14,885,744	\$ 6,235,873	\$ 75,650,110	\$ 60,082,772	\$ 52,121,546	\$ 208,976,045

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY(1)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Governmental Funds Capital Assets October 1, 2002	Additions	Deductions	Governmental Funds Capital Assets September 30, 2003
General Government:				
Planning	\$ 210,973	\$ 19,621	\$ 54,130	\$ 176,464
Code Services	561,155	1,356	-	562,511
Information Systems	695,662	-	-	695,662
Transportation	9,757,613	-	-	9,757,613
Data Processing	168,250	-	-	168,250
Purchasing	46,396	499	-	46,895
Finance and Management	3,745,385	106,780	-	3,852,165
Personnel	113,371	-	-	113,371
Municipal Court Services	138,392	-	-	138,392
Vehicle Maintenance	563,042	11,408	10,447	564,003
Total general government	16,000,239	139,664	64,577	16,075,326
Urban Development and Housing:				
Redevelopment Projects	233,430	20,418	-	253,848
Union Station	11,749,225	244,717	-	11,993,942
Total urban development and housing	11,982,655	265,135	-	12,247,790
Health and Welfare:				
Senior Services	801,926	-	-	801,926
Day Care Services	584,407	900	-	585,307
Senior Centers/Community Centers	479,358	-	-	479,358
Human and Cultural Services	1,133,005	-	-	1,133,005
Total health and welfare	2,998,696	900	-	2,999,596

(Continued)

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Governmental Funds Capital Assets October 1, 2002	Additions	Deductions	Governmental Funds Capital Assets September 30, 2002
Public Safety:				
Fire Department	16,630,294	98,979	-	16,729,273
Police Department	19,660,399	5,188,922	358,895	24,490,426
Small Animal Control	57,207	-	-	57,207
Juvenile Justice	5,565,274	-	-	5,565,274
Communication Center	1,034,303	-	-	1,034,303
Public Safety Garage	230,776	-	-	230,776
Total public safety	43,178,253	5,287,901	358,895	48,107,259
Public Works:				
Cemeteries	155,757	-	24,600	131,157
Engineering	500,000	146,835	42,989	603,846
Traffic Engineering	1,774,056	954,211	34,260	2,694,007
Care and Maintenance of Public Buildings	3,070,300	212,263	15,017	3,267,546
Custodial Services	113,111	-	-	113,111
Pest Control	9,026	-	-	9,026
Central Sup[ply]	709,402	-	-	709,402
Streets	54,503,674	5,587,929	194,544	59,897,059
Storm Drainage	20,885,261	3,722,547	214,081	24,393,727
Soil Conservation	250,734	-	-	250,734
Total public works	81,971,321	10,623,785	525,491	92,069,615
Culture and Recreation:				
Planetarium	2,365,124	2,770	-	2,367,894
Jackson Zoological Park	1,550,268	-	-	1,550,268
Municipal Art Building	27,110	682	-	27,792
Parks and Recreation	14,225,859	662,551	69,503	14,818,907
Library	4,188,012	59,757	-	4,247,769
Smith Robertson Cultural Center	928,204	56,396	-	984,600
City Auditorium and Art Center	4,691,837	45,013	-	4,736,850
Total culture and recreation	27,976,414	827,169	69,503	28,734,080

CITY OF JACKSON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Governmental Funds Capital Assets October 1, 2001	Additions	Deductions	Governmental Funds Capital Assets September 30, 2002
Miscellaneous:				
City Council/Mayor	3,233,717	-	-	3,233,717
City Clerk	54,547	-	-	54,547
Legal	113,910	-	-	113,910
Mayor's Action Line	12,442	-	-	12,442
Internal Audit	16,566	3,803	-	20,369
Telecommunications	5,214,401	92,993	-	5,307,394
Total miscellaneous	8,645,583	96,796	-	8,742,379
Total governmental funds capital asset	\$ 192,753,162	\$ 17,241,349	\$ 1,018,466	\$ 208,976,045

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CITY OF JACKSON
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS (2)

Fiscal Year	General Government	Urban		Health & Welfare	Public Safety	Public Works	Culture & Recreation	Miscellaneous	Employee Benefits (3)	Capital Outlay	Debt Service	Total
		Development & Housing										
2003	\$ 23,399,721	\$ -	\$ -	\$ -	\$ 53,766,968	\$ 27,003,899	\$ 11,770,191	\$ 9,017,182	\$ 3,546,652	\$ 1,080,279	\$ 19,561,566	\$ 149,146,458
2002	21,475,038	-	-	-	50,774,511	43,638,054	6,464,105	7,609,735	3,192,967	1,169,929	48,971,036	183,295,375
2001	25,067,901	1,850,852	5,326,470	5,326,470	49,456,760	23,890,555	7,954,281	190,601	3,465,291	4,848,939	19,291,191	141,342,841
2000	25,737,289	2,369,181	6,744,414	6,744,414	48,901,905	26,822,566	4,962,920	242,669	7,538,572	10,725,706	13,433,140	147,478,362
1999	22,771,833	1,376,083	5,337,698	5,337,698	49,285,480	20,772,587	4,892,113	281,493	2,592,982	2,212,210	19,376,830	128,899,309
1998	22,583,048	1,937,937	5,567,597	5,567,597	43,437,807	16,998,613	4,321,324	227,898	1,171,832	2,748,902	65,853,557	164,848,515
1997	21,417,061	4,505,045	4,928,514	4,928,514	39,421,429	18,420,879	3,731,064	262,650	8,582,534	5,471,474	11,354,656	118,095,306
1996	18,714,787	2,527,168	5,186,102	5,186,102	38,868,913	20,434,662	3,412,584	888,859	9,658,652	3,166,958	11,847,655	114,706,340
1995	18,794,428	2,047,146	5,467,468	5,467,468	40,337,551	15,750,097	3,377,969	1,686,954	8,062,113	6,735,936	12,163,638	114,423,300
1994	15,256,607	2,296,250	6,808,078	6,808,078	45,115,090	15,553,871	3,322,817	1,227,117	7,673,392	7,055,368	11,793,769	116,102,359

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.
(Governmental Fund Types Only).

(2) Expenditures from prior years have been reclassified to compare with current year classification.

(3) Employee Benefits include expenditures from the Workers' Compensation Payment Fund and the Disability and Relief Fund, classified as Special Revenue Funds. Prior to 1988, the Disability and Relief Fund was classified as a Pension Trust Fund.

TABLE II

CITY OF JACKSON
GENERAL GOVERNMENT REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS (2)

Fiscal Year	General Property	Licenses & Permits	Fines & Forfeitures	Inter-Governmental Revenue	Admissions, Fees Rentals & Concessions	Interest Earned on Investments	Other Revenue	Total
2003	\$ 60,411,783	\$ 2,353,168	\$ 3,006,807	\$ 62,596,202	\$ 2,856,836	\$ 904,393	\$ 15,084,583	\$ 147,213,772
2002	56,653,946	2,543,913	3,324,854	66,481,432	2,814,377	1,451,578	13,938,482	147,208,582
2001	54,782,465	2,563,850	3,683,957	53,733,715	2,457,243	3,800,441	12,315,833	133,337,504
2000	54,823,893	2,712,115	3,849,148	56,809,199	1,736,892	4,002,924	11,541,785	135,475,956
1999	52,640,954	2,801,925	3,772,657	51,277,343	1,826,321	3,821,070	9,052,355	125,192,625
1998	50,496,884	2,680,895	4,044,585	51,155,488	1,520,209	2,709,502	62,159,108	174,766,671
1997	48,477,630	2,789,575	3,916,947	51,408,412	1,556,892	2,251,074	9,517,570	119,918,100
1996	46,014,000	2,544,645	2,919,319	48,525,544	1,183,105	2,043,999	9,165,180	112,395,792
1995	43,820,485	1,398,919	2,085,355	46,542,930	991,356	2,136,278	10,176,630	107,151,953
1994	42,592,862	1,291,731	1,898,890	43,637,239	1,076,597	1,393,260	11,539,297	103,429,876

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.
(Governmental Fund Types Only).

(2) 1988 through 1996 totals include the Disability and Relief Fund classified as a Special Revenue Fund. In prior years, this Fund had been classified as a Pension Trust Fund.

CITY OF JACKSON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (2)

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (3)	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collection As Percent of Current Levy	Outstanding Delinquent Taxes (2)	Outstanding Delinquent Taxes as Percent of Current Levy
2003	\$ 55,844,993	\$ 53,807,422	96.4%	\$ 444,961	\$ 54,252,383	97.15%	\$ 2,037,571	3.6%
2002	53,295,207	50,401,101	94.6%	249,759	50,650,860	95.04%	2,894,106	5.4%
2001	49,077,803	47,660,617	97.1%	747,605	48,408,222	98.64%	1,417,186	2.9%
2000	48,398,833	47,334,509	97.8%	1,344,812	48,679,321	100.58%	1,064,324	2.2%
1999	48,585,261	46,765,098	96.3%	16,459	46,781,557	96.29%	1,820,163	3.7%
1998	48,128,105	45,907,976	95.4%	193,287	46,101,263	95.79%	2,220,129	4.6%
1997	44,071,832	42,963,643	97.5%	340,374	43,304,017	98.26%	1,108,189	2.5%
1996	41,751,971	41,303,604	98.9%	233,500	41,537,104	99.49%	448,367	1.1%
1995	41,365,055	39,835,055	96.3%	1,200,142	41,035,197	99.20%	1,530,000	3.7%
1994	39,857,252	39,321,580	98.7%	518,862	39,840,442	99.96%	535,672	1.3%

(1) The total tax levy does not include automobile ad valorem taxes.

(2) Represents delinquent taxes due at the end of the year on taxes levied for that year.

(3) Beginning in Fiscal Year 1988, the majority of school taxes collected were remitted directly to the Jackson Municipal Separate School District by Hinds County, the collecting agency.

CITY OF JACKSON
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY
LAST TEN FISCAL YEARS (2)

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value	Assessed Value (2)	Estimated Actual Value	
2003	\$ 645,275,896	\$ 5,058,517,697	\$ 450,036,558	\$ 2,047,883,870	\$ 1,095,312,454	\$ 7,106,401,567	10%, 15%, and 30%
2002	648,515,478	5,082,209,647	457,215,511	2,072,729,643	1,105,730,989	7,154,939,290	10%, 15%, and 30%
2001	572,009,657	4,514,020,527	456,399,511	2,158,493,493	1,028,409,168	6,672,514,020	10%, 15%, and 30%
2000	559,692,098	4,407,089,183	468,776,459	2,194,620,657	1,028,468,557	6,601,709,840	10%, 15%, and 30%
1999	559,638,299	4,419,016,266	456,316,595	2,063,278,520	1,015,954,894	6,482,294,786	10%, 15%, and 30%
1998	553,577,543	4,361,772,160	447,772,600	1,969,326,240	1,001,350,143	6,331,098,400	10%, 15%, and 30%
1997	545,994,027	4,382,770,260	425,602,308	1,966,756,077	971,596,335	6,349,526,337	10%, 15%, and 30%
1996	536,424,860	4,309,676,843	397,541,216	1,879,942,543	933,966,076	6,189,619,386	10%, 15%, and 30%
1995	536,381,981	4,232,077,523	373,360,070	1,637,723,903	909,742,051	5,869,801,426	10%, 15%, and 30%
1994	538,346,695	4,248,326,883	344,423,482	1,517,745,481	882,770,177	5,766,072,364	10%, 15%, and 30%

(1) Ad valorem tax property assessments within the City and the Jackson Municipal Separate School District are fixed at ten percent (10%) of appraised value for homeowner occupied real property, and fifteen percent (15%) of appraised value for all other real and personal property for Fiscal Years 1987-1996. State law required a reappraisal of all property in Mississippi in order to obtain an equitable and uniform appraisal in proportion to current market value, and property was assessed at fifteen percent (15%) beginning in Fiscal Year 1985. The assessed value for motor vehicles and for property owned by public service corporations is determined by an assessment schedule prepared each year by the State of Mississippi Tax Commission, and is set at approximately thirty percent (30%) of appraised value for Fiscal Year 1989 and thereafter.

(2) Includes automotive valuation.

SOURCE: Hinds, Rankin and Madison County Tax Collectors

TABLE V

**CITY OF JACKSON
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

City of Jackson									
Fiscal Year	General Fund	Special Revenue Parks & Improve- ment Fund	Debt Service Fund	Special Revenue Pension Fund	Total	Jackson Hinds Library System	Jackson Municipal Separate School District	Hinds County	Total
2003	38.17	2.00	9.52	5.06	54.75	1.28	75.70	37.54	169.27
2002	37.17	2.00	10.22	5.06	54.45	1.28	76.00	37.41	169.14
2001	33.17	2.00	10.72	6.06	51.95	1.28	75.29	35.41	163.93
2000	33.17	2.00	10.72	6.06	51.95	1.28	74.29	35.41	162.93
1999	32.17	2.00	11.72	6.06	51.95	1.28	74.29	35.41	162.93
1998	31.92	2.00	11.72	6.06	51.70	1.28	74.54	34.81	162.33
1997	29.30	2.00	11.72	6.90	49.92	1.28	76.32	34.81	162.33
1996	28.82	2.00	11.72	7.38	49.92	1.28	76.32	33.09	160.61
1995	28.12	2.00	11.72	7.00	48.84	1.28	76.32	33.09	159.53
1994	28.78	2.00	12.06	6.50	49.34	1.28	74.76	33.09	158.47

Table VI

**CITY OF JACKSON
PRINCIPAL TAXPAYERS
September 30, 2003**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2002 (1) Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Bell South Telephone Company	Telephone Service	\$ 76,028,589	7.92%
Entergy	Public Utility	45,672,643	4.76%
Central Mississippi Health Systems	Healthcare	13,728,942	1.43%
AT&T Communications of the South Central States, Inc.	Public Utility	11,064,358	1.15%
Mississippi Valley Gas Company	Public Utility	8,595,788	0.90%
Parkway Properties, Inc	Real Estate	6,088,331	0.63%
Trustmark National Bank	Banking	5,392,590	0.56%
Wal Mart/Sam Wholesale Club	Retail	5,180,259	0.54%
Metrocenter	Shopping Center	3,919,100	0.41%
St. Dominics Hospital	Healthcare	3,822,998	0.40%
Total taxable assessed value of 10 largest taxpayers		179,493,598	18.69%
Total taxable assessed value of other taxpayers		780,838,757	81.31%
Total taxable assessed value of all taxpayers		\$ 960,332,355	100.00%

(1) 2002 assessed values shown above are collected in Fiscal Year 2002-03.
The assessed value does not include automotive valuations.

TABLE VII

**CITY OF JACKSON
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due (1)</u>	<u>Total Outstanding Assessments</u>
2003	\$ 35,289	\$ 37,515	106%	\$ 245,986
2002	160,132	154,004	96%	313,094
2001	174,200	169,927	98%	733,810
2000	145,702	141,221	97%	903,737
1999	163,827	129,549	79%	1,044,958
1998	126,081	167,174	133%	1,041,375
1997	89,619	132,357	148%	654,127
1996	84,760	139,019	164%	751,849
1995	81,500	135,915	167%	846,425
1994	74,980	180,822	241%	937,741

(1) Some Current Year Assessments are collected in advance.

**CITY OF JACKSON
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2003**

Authorized Debt Limit 15 Percent Rule

2002 Tax Roll Estimation	\$ 1,111,445,948		
Less Homestead Exemption	52,204,789		
Net 2001 Estimated Tax Roll	<u>1,059,241,159</u>	@ 15%	158,886,174

Less: Bonded Indebtedness \$235,295,000

Deduct: Authorized Exemptions

Water/Sewer General Obligation Bonds	\$630,000	
Water/ Sewer Revenue Bonds	121,400,000	
Pension Bond-Special Obligation	31,520,000	
	<u>-</u>	<u>153,550,000</u>

Present Debt Subject to 15% Limit 81,745,000

Margin for Further Debt Under 15% Limit \$77,141,174

Section 21-33-303 of Mississippi Code of Ordinances 1972 Annotated - Limitation of indebtedness as amended April 8, 1985, March 30, 1987, October 1, 1989, March 1, 1992, and July 1, 1995.

No municipality shall hereafter issue bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed either (a) fifteen percent (15%), until September 30, 1999, and ten percent (10%) thereafter of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidences of indebtedness, heretofore or hereafter issued, for school, water, sewage systems, gas, and light and power purposes, and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) until September 30, 1999, and fifteen percent (15%) thereafter of the assessed value of all taxable property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality which are subject to annual appropriations therefor or to bonds heretofore issued by any municipality for school purposes, or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Sections 21-41-1 through 21-41-53.

**CITY OF JACKSON
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2003**

Authorized Debt Limit 20 Percent Rule

2002 Tax Roll Estimation	\$ 1,111,445,948		
Less Homestead Exemption	<u>52,204,789</u>		
Net 2001 Estimated Tax Roll	1,059,241,159	@ 20%	211,848,232
Less: Bonded Indebtedness (floating debt - \$15,335,800)		\$250,630,800	
Deduct: Authorized Exemptions:			
Water/Sewer Revenue Bonds	\$ 121,400,000		
Pension Obligation Bonds	<u>31,520,000</u>	<u>152,920,000</u>	
Present Debt Subject to 20% Limit			<u>97,710,800</u>
Margin for Further Debt Under 20% Limit			<u><u>\$114,137,432</u></u>

TABLE IX

CITY OF JACKSON
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (3)</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2003	184,256	\$ 960,332,355	\$ 80,180,000	\$ 451,109	\$ 79,728,891	8.30%	432.71
2002	184,256	904,380,073	69,365,000	1,902,095	67,462,905	7.46%	366.14
2001	184,256	895,371,352	76,735,000	3,814,078	72,920,922	8.14%	395.76
2000	184,256	889,244,964	85,905,000	4,977,976	80,927,024	9.10%	439.21
1999	202,062	878,547,776	94,015,000	5,946,804	88,068,196	10.02%	435.85
1998	202,062	864,338,911	100,670,000	6,487,049	94,182,951	10.90%	466.11
1997	202,062	839,133,657	71,845,000	4,542,145	67,302,855	8.02%	333.08
1996	202,062	962,622,103	78,250,000	3,885,902	74,364,098	7.73%	368.03
1995	202,062	827,521,313	84,115,000	3,737,984	80,377,016	9.71%	397.78
1994	202,062	781,973,962	90,150,000	4,259,234	85,890,766	10.98%	425.07

(1) City of Jackson Planning Board and Chamber of Commerce.

(2) Assessed value does not include automotive valuations.

(3) Includes all general long-term debt, which is being repaid through general property taxes.

TABLE X

**CITY OF JACKSON
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENT EXPENDITURES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Government Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Government Expenditures</u>
2003	\$ 13,300,000	\$ 6,261,566	\$ 19,561,566	\$ 149,146,458	13.12%
2002	38,455,000	4,497,136	42,952,136	183,295,375	23.43%
2001	8,810,000	4,614,494	13,424,494	141,342,841	9.50%
2000	8,370,000	5,063,140	13,433,140	147,478,362	9.11%
1999	8,020,000	5,489,518	13,509,518	129,306,930	10.45%
1998	6,875,000	4,216,535	11,091,535	164,565,920	6.74%
1997	6,650,000	4,686,213	11,336,213	118,328,357	9.58%
1996	6,235,000	4,984,238	11,219,238	114,662,455	9.78%
1995	6,160,000	5,370,918	11,530,918	114,423,300	10.08%
1994	5,864,000	5,260,390	11,124,390	115,470,737	9.63%

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds. (Governmental Fund Types Only).

TABLE XI

CITY OF JACKSON
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
SEPTEMBER 30, 2003

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Jackson</u>	<u>Amount Applicable to City of Jackson</u>
Direct:			
City of Jackson	\$80,180,000	100%	\$80,180,000
Overlapping:			
Jackson Municipal Separate School District	17,765,000	100%	17,765,000
Hinds County	26,960,000	76.57%	<u>20,643,272</u>
Total Direct Overlapping Debt			<u><u>\$118,588,272</u></u>

(1) Excluding General Obligation Bonds reported in the Enterprise Funds.

TABLE XII

**CITY OF JACKSON
REVENUE BOND COVERAGE
WATER/SEWAGE DISPOSAL SYSTEM REVENUE BONDS
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$ 44,387,423	\$ 27,408,587	\$ 20,608,842	\$ 1,750,000	\$ 4,225,214	\$ 5,975,214	3.45
2002	52,525,919	20,608,842	31,917,077	5,410,000	4,425,131	9,835,131	3.25
2001	33,523,929	21,411,474	12,112,455	5,175,000	4,680,166	9,855,166	1.23
2000	33,964,337	20,111,207	13,853,130	4,960,000	5,241,637	10,201,637	1.36
1999	35,801,882	19,201,499	16,600,383	4,030,000	3,135,315	7,165,315	2.32
1998	31,676,360	18,035,902	13,640,458	3,870,000	3,297,855	7,167,855	1.90
1997	32,292,552	17,926,982	14,365,570	3,720,000	3,446,656	7,166,656	2.00
1996	32,512,511	16,057,021	16,455,490	3,585,000	3,581,093	7,166,093	2.30
1995	32,434,813	17,014,909	15,419,904	3,465,000	3,702,367	7,167,367	2.15
1994	30,911,430	16,472,692	14,438,738	3,365,000	3,799,953	7,164,953	2.02

(1) Total revenues exclusive of meter charges, including privilege license, service connections and interest not related to construction or meter charges.

(2) Total operating expenses exclusive of depreciation.

**CITY OF JACKSON
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

TABLE XIII

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (3)</u>	<u>Median Age (4)</u>	<u>Educational Level in Years of Formal Schooling (2)</u>	<u>Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2003	184,256	\$ 27,428	34.2	12.3	31,508	5.0%
2002	184,256	27,428	34.2	12.3	31,240	5.5%
2001	184,256	25,506	34.2	12.3	31,436	4.5%
2000	184,256	24,542	34.0	12.3	31,400	5.1%
1999	202,062	22,227	33.7	12.3	31,400	3.5%
1998	202,062	21,592	32.3	12.3	32,071	4.4%
1997	202,062	20,646	32.3	12.3	31,843	4.4%
1996	202,062	19,137	30.2	12.3	32,414	3.2%
1995	202,062	13,823	31.7	12.3	32,719	4.9%
1994	202,062	14,238	31.7	12.3	32,928	4.9%

- (1) Source - Chamber of Commerce.
- (2) Source - Program Evaluation - Jackson Public Schools.
- (3) Source - Mississippi Employment Security Commission.
- (4) Source - Mississippi - Census Bureau

CITY OF JACKSON
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

TABLE XVI

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Bank Deposits	Number of Banks Reporting	Property Value (2)	
	Number of Units	Value	Number of Units	Value			Commercial	Residential
2003	17	\$ 12,225,224	123	\$ 24,947,137	\$ 5,000,000,000	1	\$ 2,788,099,327	\$ 2,270,418,370
2002	23	51,495,874	97	24,698,988	4,978,000,000	1	2,805,672,213	2,276,537,433
2001	34	49,210,590	122	18,019,616	4,212,549,481	1	2,482,111,227	2,031,909,300
2000	49	61,599,437	159	23,659,974	3,961,202,000	1	2,379,680,993	2,027,408,190
1999	40	48,589,168	235	49,482,875	8,952,412,062	2	2,408,792,427	2,010,223,840
1998	53	40,572,926	138	20,377,539	8,826,953,031	2	2,352,677,520	2,009,094,640
1997	59	70,888,179	190	31,974,040	8,701,949,000	2	2,352,677,525	2,030,092,740
1996	52	43,559,779	117	17,095,894	8,586,295,442	3	2,306,016,973	2,003,659,870
1995	54	33,325,208	104	13,924,629	5,207,798,618	3	2,263,484,573	1,968,592,950
1994	45	18,911,369	127	15,120,978	3,241,247,520	4	2,270,280,133	1,987,046,750

(1) Source - City of Jackson Building and Permit Division.

(2) Estimated Actual Value.

TABLE XV

CITY OF JACKSON
MISCELLANEOUS STATISTICS
September 30, 2003

Date of Incorporation	1822		
Form of Government	Mayor-Council		
Area	104 Square Miles		
City Employees:			
Monthly	2,300		
Weekly	454		
Miles of Streets:			
Paved	1425		
Gravel	10 Miles		
Number of Street Lights	23,262		
Fire Protection:			
Number of Stations	21		
Number of Firefighters	376		
Number of Civilians	13		
Rescue Units	8		
Police Protection:			
Number of Stations	(1Main, 4 Precincts)		
	Bike/Foot Patrol/SNI/NET*		
Number of Officers	458		
Number of Civilian Employees	233		
Number of School Crossing Guards	63		
Education			
Number of Schools	59		
Enrollment	31,508		
Number of Classrooms	1,858		
Number of Teachers	2,100		
Municipal Water Department:			
Number of Consumers	69,553		
Average Daily Consumption	25,600,000		
Miles of Water Mains	1,220		
Sewers:			
Sanitary Sewers	909 Miles		
Storm Sewers	460 Miles		
Building Permits Issued	1,529		
Recreation and Culture:			
Number of Playgrounds	54	Number of Ball Fields	47
Number of Golf Courses	2	Number of Soccer Fields	18
Number of Swimming Pools	9	Number of Zoos (Includes one Mini-Train)	1
Number of Community Centers	10	Number of Special Education and	
Number of Tennis Centers	3	Handicap Centers	1
Number of Tennis Courts	61	Number of Jogging Trails	11
Number of Gyms	5	Number of Libraries	15
Number of Baseball Stadiums	1		

*SNI - Safe Neighborhood Initiative

*NET - Neighborhood Enhancement Team

SINGLE AUDIT

CITY OF JACKSON
SCHEDULE OF BONDS OF CITY OFFICIALS
September 30, 2003

Company: Western Surety Company

Limits of liability: Faithful Performance Blanket
Position Bond Coverage

<u>Position</u>	<u>Coverage per each</u>	<u>Term of bond</u>
All employees, except Director of Administration, Chief of Police, City Clerk, Deputy Clerks (6)	\$80,000	10/07/02 - 10/07/03

Company: Old Republic Surety Company
Agent: Statewide General Insurance Company

Western Surety Company

The Travelers Indemnity Company

Boyles Moak & Brickell Marchetti Insurance Incorporated

Limits of liability: Surety Bond coverage as follows:

<u>Position</u>	<u>Coverage per each</u>	<u>Term of bond</u>
Director of Administration	\$50,000	08/26/02 - 08/26/03
City Clerk	\$50,000	11/19/02 - 11/19/03
Deputy Clerk	\$10,000	08/22/02 - 08/22/03
Deputy Clerk	\$10,000	08/22/02 - 08/22/03
Deputy Clerk	\$10,000	07/11/02 - 07/11/03
Deputy Clerk	\$10,000	04/01/02 - 04/01/03
Chief of Police	\$80,000	12/12/02 - 12/12/03
Deputy Chief of Police	\$25,000	09/24/02 - 09/24/03
Deputy Chief of Police	\$25,000	04/01/02 - 04/01/03
Deputy Chief of Police	\$25,000	06/09/02 - 06/09/03

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor Harvey Johnson, Jr.
and Honorable Members of the City Council
Jackson, Mississippi

We have audited the financial statements of the City of Jackson, Mississippi (the City), as of and for the year ended September 30, 2003, and have issued our report thereon dated March 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item numbers section "2" 2003-1, 2003-2, 2003-3 and 2003-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as identified in the summary of auditor's results section "2".

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of the Mayor, City Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Banks, Finley, White & Co.

March 23, 2004



**BANKS, FINLEY,
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

To the Honorable Mayor Harvey Johnson, Jr., and
Honorable Members of the City Council
City of Jackson, Mississippi

We have audited the financial statements of the City of Jackson, Mississippi (the City) as of and for the year ended September 30, 2003, and have issued our report thereon dated March 23, 2004. We conducted our audit in accordance auditing standards generally accepted in the United States of America.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general-purpose financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information of the Mayor, City Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Banks, Finley, White & Co.

March 23, 2004

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures thru 09/30/03
U.S. Dept. of Health and Human Services				
Direct Program				
Metropolitan Medical Response System	93.000	233-01-0043	93,865	250,186
(State of MS Office of Child Nutrition)				
Child Care Development Block Grant	93.575	625Q631	633,528	633,528
Child Care Development Block Grant	93.575	625Q621	642,541	1,326,201
			1,276,069	1,959,729
(Mississippi Development Authority)				
Urban Enterprise Grant	93.585	EZ03-EZ/EC-Urban	363,140	1,108,021
Title III-B				
(Central MS Planning and Development District)				
Outreach	93.635	377-D-25	10,000	10,000
Title III-B Transportation				
(Central MS Planning and Development District)				
Transportation	93.635	377-D-25	44,000	44,000
Title III-C-I Older American Act				
(Central MS Planning and Development District)				
Congregate Nutrition Program	93.635	378-D-25	63,995	63,995
Title XX - Social Services Block Grant				
(Central MS Planning and Development District)				
Home Delivered Meals	93.667	396W25	248,594	248,594
TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES			2,099,663	3,684,525
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grant	14.218	B-00-MC-28-0003	896,030	3,773,942
Community Development Block Grant	14.218	B-01-MC-28-0003	3,043,323	3,043,323
Emergency Shelter Program	14.231	S-01-MC-28-0002	36,717	121,905
Emergency Shelter Program	14.231	S-02-MC-28-0002	94,378	94,378
Home Investment Partnership Program	14.239	M-95-MC-28-0200	15,900	39,019
Home Investment Partnership Program	14.239	M-96-MC-28-0200	223,513	269,009
Home Investment Partnership Program	14.239	M-97-MC-28-0200	419,593	460,885
Home Investment Partnership Program	14.239	M-98-MC-28-0200	20,793	780,968
Home Investment Partnership Program	14.239	M-99-MC-28-0200	478,089	793,638
Home Investment Partnership Program	14.239	M-00-MC-28-0200	170,182	183,697
Home Investment Partnership Program	14.239	M-01-MC-28-0200	249,494	328,765
Home Investment Partnership Program	14.239	M-02-MC-28-0200	50,015	50,015
Economic Development Initiative Special Project	14.864	B-98-SP-MS-0098	1,717	276,201

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures thru 09/30/03
Economic Development Initiative Special Project	14.864	B-99-SP-MS-0169	86,929	465,263
Economic Development Initiative Special Project	14.864	B-00-SP-MS-0212	17,180	32,724
Economic Development Initiative Special Project	14.864	B-01-SP-MS-0321	10,228	10,228
Economic Development Initiative Special Project	14.864	B-01-SP-MS-0744	178,783	180,008
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			5,992,864	10,903,968
U.S. Department of Transportation				
Federal Transit Authority				
Direct Programs:				
Federal Transit Formula Grants	20.507	MS-03-00-11	648,528	5,399,664
Federal Transit Formula Grants	20.507	MS-03-00-12	1,140	1,405,780
Federal Transit Formula Grants	20.507	MS-03-00-13	270,669	889,020
Federal Transit Formula Grants	20.507	MS-03-00-14	1,586,876	1,586,876
Federal Transit Formula Grants	20.507	MS-90-X0-65	57,733	2,364,975
Federal Transit Formula Grants	20.507	MS-90-X0-70	1,195,867	2,469,067
Federal Highway Administration (Mississippi Department of Transportation-Pass Through)				
Highway Planning and Construction (Union Station)	20.205	STP-0250-(12)A/46	3,800,195	7,567,753
Highway Planning and Construction (High Street)	20.205	STP-7262-(2)-49-7262	1,871,640	4,498,058
Highway Planning and Construction (ITS Project)	20.205	ITS-928(5)	245,185	502,498
Urban Youth Corps Grant	20.205	CS00000966	34,995	34,995
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			9,712,828	26,718,686
U.S. Department of Justice				
Direct Programs:				
Nunn-Lugar-Domenici Domestic Preparedness Program	16.007	2002-TE-CX-0032	151,439	151,439
Local Law Enforcement Block Grant	16.592	1999-LB-VX-8464	57,808	534,637
Local Law Enforcement Block Grant	16.592	2000-LB-BX-2558	4,150	374,408
Local Law Enforcement Block Grant	16.592	2001-LB-BX-3505	193,538	195,197
Local Law Enforcement Block Grant	16.592	2002-LB-VX-1895	4,189	4,189
Weed & Seed	16.595	02-WS-QX-0074	102,315	184,968
COPS - Technology	16.710	2000CKWX0018	724,038	724,038
COPS - Technology	16.710	2001CKWX0061	414,616	997,796
COPS - Technology	16.710	2002CKWX0096	402,045	402,045
COPS - Universal Hiring Grant	16.710	95ULWX0025	214,723	2,490,345

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures thru 09/30/03
COPS - Problem Solving Grant	16.710	97-PR-WX-0192	11,260	69,375
COPS - Safe Neighborhoods	16.732	2002-SIFX0003	85,552	85,552
(Mississippi Department of Public Safety-Pass Through) Juvenile Accountability Incentive Block Grant	16.523	0JB2191	135,810	189,316
Byrne Formula Grant	16.579	0NW2191	24,280	59,057
Byrne Formula Grant	16.579	1NW2191	60,482	60,482
Stop Violence Against Women Grant	16.588	1SL2192	54,701	54,701
TOTAL U.S. DEPARTMENT OF JUSTICE			2,640,946	6,577,545
U.S. Department of Labor				
Older Americans Act (Central Mississippi Planning and Development District) Senior Community Service Employment (Title V)	17.235	398-A-25	25,818	29,996
Senior Community Service Employment (Title V)	17.235	398-B-25	1,427	1,427
(National Senior Citizen Education & Research Center) Senior Aides - Title V	17.235	AD-12523-02-55	228,344	282,646
Senior Aides - Title V	17.235	AD-13028-03-60	70,017	70,017
TOTAL U.S. DEPARTMENT OF LABOR			325,606	384,086
U.S. Department of Agriculture				
Food and Nutrition Service (MS Department of Education) Child Care Food Program	10.558	V0000718080	277,593	277,593
Child Care Food Program(Title XX Home Delivered Meals)	10.558	396W25	64,468	64,468
Child Care Food Program(Title IIIC-1)	10.558	378-D-25	23,893	23,893
Child Care Food Program(Summer Feeding)	10.559	V0000718080	113,224	113,224
TOTAL U.S. DEPARTMENT OF AGRICULTURE			479,178	479,178
U.S. Environmental Protection Agency				
Direct Programs: Special Water Infrastructure Project	66.606	XP-984692-99-0	34,025	7,616,300
Vulnerability Assessment Grant	66.000	HS-82992801-0	47,273	47,273
Brownfields Economic Redevelopment Initiative	66.811	BP-984483-98-0	98,330	370,263
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			179,628	8,033,836
Federal Emergency Management Agency				
Mississippi Emergency Management Agency (Pass-Through) Small and Large Projects	83.000	FEMA-1459-DR-MS	67,039	67,039
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			67,039	67,039
U.S. Office of National Drug Control Policy				
High Intensity Drug Trafficking Area (HIDTA)	07	I1PGCP523	20,558	24,134
TOTAL U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			20,558	24,134
U.S. National Park Service				
Urban Park and Recreation Recovery Program	15.919	UPARR	12,116	190,616
TOTAL U.S. NATIONAL PARK SERVICE			12,116	190,616
TOTAL EXPENDITURES OF FEDERAL AWARDS			21,530,426	57,063,613

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Agency/Program	Federal CFDA Number	Pass Through Grantors Number	Current Year Federal Expenditures	Cumulative Expenditures thru 09/30/03
State of MS Commission on Environmental Quality (Department of Environmental Quality)				
The City of Jackson has the following loans payable to the Department of Environmental Quality at September 30, 2003 which were used for sewer improvements and to construct pollution control facilities.				
Lynch Creek Sewer Improvements 4% note dated September 30, 1992	66.458	SRF-C280785-01-0	-	4,322,676
Lynch Creek Interceptor 4.5% note dated January 30, 1995	66.458	SRF-C280785-02-1	-	1,474,337
West Bank Interceptor (Fairgrounds) 1.75% note dated July 1, 2003	66.458	SRF-C280886-01-1	-	2,241,095
Lynch Creek Interceptor Replacement 3.0% note dated June 1, 2003	66.458	SRF-C280785-04-2	-	5,526,068
Lynch Creek Interceptor Replacement 4.5% note dated September 30, 1994 as amended March 1996	66.458	SRF-C280785-03-1	-	2,188,431
O. B. Curtis Water Treatment Plant	66.458	SRF-C280838-01-1	-	5,940,114
TOTAL DEPARTMENT OF ENVIRONMENTAL QUALITY			-	21,692,721

CITY OF JACKSON
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

NOTE 1. *Basis of Presentation*

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE 2. *Subrecipients*

Of the federal expenditures presented in the schedule, the City of Jackson provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant – Entitlement Grants	14.218	\$ 679,190
Home Investment Partnership Program	14.239	1,484,133
Emergency Shelter Grant Program	14.231	131,095
Urban Enterprise Grant	93.585	<u>59,946</u>
Total		<u>\$ 2,354,364</u>

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

The Honorable Mayor Harvey Johnson, Jr.
and Honorable Members of The City Council
Jackson, Mississippi

Compliance

We have audited the compliance of the City of Jackson, Mississippi (the City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Jackson complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The Management of the City of Jackson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Mayor, City Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Banks, Finley, White & Co.

March 23, 2004

**CITY OF JACKSON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2003**

2002-1 FINDING NO. 1 – SECTION 2

Condition: The organization's accounting records did not provide a clear audit trail that linked the amounts reported on its cost reporting worksheets to the general ledger and accounting journals.

Recommendation: The City should establish procedures that require cost reporting worksheets to be prepared directly from the amounts recorded in the general ledger or from worksheets which link the amount in the general ledger to the cost reporting worksheets.

Current Status: Corrected

2002-2 FINDING NO. 2 – SECTION 2

Condition: The City of Jackson does not have a centralized system for tracking grants received and applied for. Without a centralized system of tracking grants, it is possible that grants could be received and not be identified as grant funds.

Recommendation: The City should establish effective procedures that coordinate the application and receipt of grants from the state and federal government. Upon application and successful grant award, copies of documents should be forwarded to a central location for compilation. This will help in maintaining a reference library of information related to financial assistance available to the City and fiscal and programmatic accountability of Federal and State funds.

Current Status: Corrected

2002-3 FINDING NO. 3 – SECTION 2

Condition: During our review of grant receipts and disbursements, it was noted on various grants that the City is not filing for reimbursements on a timely basis.

Recommendation: We recommend that the City strengthen procedures to ensure that requests for reimbursements are filed in a timely manner. This will maximize the City's grant revenue and improve cash management.

Current Status: Not corrected, repeated as finding No. 2003-3

CITY OF JACKSON, MISSISSIPPI
Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

- | | | |
|---------------------|---|-------------|
| 1. | Type of auditor's report issued on the general purpose financial statements. | Unqualified |
| 2. | Material noncompliance relating to the financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | None |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | Yes |
|
Federal Awards: | | |
| 4. | Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | None |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None |
| 6. | Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? | None |
| 7. | Federal programs identified as major programs: | |
| | CFDA #14.239 U. S. Department of Housing and Urban Development
Home Investment Partnership Program | |
| | CFDA #20.507 U. S. Department of Transportation, Federal Transit
Discretionary Grant | |
| | CFDA #20.205 U. S. Department of Transportation, Highway Planning
And Construction | |
| | CFDA #93.596 U. S. Department of Health and Human Services
Child Care Development Fund | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$645,913 |
| 9. | The City of Jackson did not qualify as a low-risk auditee. | |

Section 2: Findings Relating to the Financial Statements Audit

CASH ADVANCES

2003-1

**U. S. Department of Health and Human Services
Metropolitan Medical Response System Grant, CFDA #93.000**

**Federal Emergency Management Agency
Small and Large Projects Grant, CFDA #83.000
Assistance to Firefighters Grant, CFDA #83.554**

Statement of Condition

Cash advances are being requested in excess of immediate cash needs

Cause of Condition

The failure to comply with regulations minimizing the time elapsing between the transfer of funds from the grantor and subsequent disbursement

Effect of Condition

Excess grant funds are on hand that are not utilized

Criteria

OMB circular A-102 states that: "...methods and procedures for transferring funds shall minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient's need for the funds."

Auditor's Recommendation

The City should establish administrative procedures that govern cash advances on grants. These procedures should require that an assessment be done prior to requesting the advance. This will help to ensure that funds requested are made only to meet actual and/or immediate cash needs.

LOCAL MATCHING FUNDS

2003-2

Statement of Condition

During our review of grant activity, it was noted that the required matching amounts included in the general ledger for various grants was not a representation of the actual shared costs incurred during the reporting period by the City.

Cause of Condition

Local matching funds were applied based on the budget rather than actual costs.

Effect of Condition

Excess matching funds are on hand that were not obligated

Criteria

OMB circular A-87 states that "Budget estimates or other distribution percentages before services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes...."

Auditor's Recommendation

We recommend that if the City continues to use budget estimates to allocate matching contributions, that at least quarterly, comparisons of actual costs to budgeted distributions be made and the appropriate adjustments recorded to reflect the actual grant activity.

REQUESTS FOR CASH

2003-3

**U. S. Department of Transportation
Highway Planning & Construction, CFDA #20.205**

Statement of Condition

During our review of grant receipts and disbursements for the above mentioned grants, it was noted that the City did not file claims for reimbursement in a systematic manner or on a timely basis.

Cause of Condition

Procedures were not in place to ensure that requests for reimbursements were filed in a timely or systematic manner.

Effect of Condition

The City's General Fund cash resources were used to fund this project while waiting for reimbursement of grant funds.

Criteria

OMB circular A-102 states that: "...grantee financial management systems shall maintain effective control and accountability for all funds"

Auditor's Recommendation

We recommend that the City establish specific procedures to ensure that requests for reimbursements are filed in a systematic and timely manner. These procedures should require monthly or quarterly reimbursement requests in order to maximize the City's grant revenue and improve cash management of grant funds and the City's available cash resources.

BANK RECONCILIATIONS

2003-4

Statement of Condition

During our audit, we found that the City of Jackson did not reconcile the bank statement for its main account to the general ledger in a timely manner (on a monthly basis).

Cause of Condition

Internal administrative control procedures have not been implemented to ensure that all bank accounts are reconciled timely.

Effect of Condition

Bank cash accounts were not reconciled in a timely manner

Criteria

OMB circular A-102 states that: "...grantee financial management systems shall maintain effective control and accountability for all funds"

Auditor's Recommendation

The City should implement administrative control procedures to ensure that all cash accounts are reconciled to the general ledger on a monthly basis. Any and all reconciling items should be identified and posted to the books on a monthly basis.

Section 3: Major Federal Awards Program Findings and Questioned Costs

None



CORRECTIVE ACTION PLAN

03/31/04

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The City of Jackson respectfully submits the following corrective action plan for the year ended September 30, 2003.

Name and address of independent public accounting firm: Banks, Finley, White & Company
207 W Amite Street Suite 503, Post Office Box 22645, Jackson MS 39205

Audit period: Year Ended September 30, 2003

The findings from the September 30, 2003 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule, Section 1 of the schedule, Summary of Audit Results, does not include findings and is not addressed.

2. FINDINGS – FINANCIAL STATEMENT AUDIT

CASH ADVANCES

Finding No. 2003-1

Recommendation: The City should establish administrative procedures that govern cash advances on grants. These procedures should require that an assessment be done prior to requesting the advance. This will help to ensure that funds requested are made only to meet actual and/or immediate cash needs.

Action Taken: The City of Jackson/Dept. of Administration has implemented a more centralized system of grant management in which cash requests will be monitored. During this monitoring process, it will be determined whether cash is advanced or reimbursed. All cash advances are based upon immediate cash needs to ensure that all funds requested will be timely utilized.

LOCAL MATCHING FUNDS

Finding No. 2003-2

Recommendation: We recommend that if the City continues to use budget estimated to allocate matching contributions, that at least quarterly, comparisons of actual costs to budgeted distributions be made and the appropriate adjustments recorded to reflect the actual grant activity.

Action Taken: As a component of the newly implemented centralized grants management system, the accounts/funds requiring matching contributions will be monitored monthly and quarterly adjustments will be made to reflect actual shared costs incurred for the period.

REQUEST FOR CASH

Finding No. 2003-3

Recommendation: We recommend that the City establish specific procedures to ensure that requests for reimbursements are filed in a systematic and timely manner. These procedures should require monthly or quarterly reimbursement requests in order to maximize the City's grant revenue and improve cash management of grant funds and the City's available cash resources.

Action taken: The City of Jackson/ Dept. of Administration has implemented a more centralized grants management system. The Post-Award process of the grant management system entails ensuring that cash requests/draw-downs and financial reporting are done based upon the stated contract with the funding source, thus ensuring that all requests and reimbursements are done timely.

BANK RECONCILIATION

Finding No. 2003-4

Recommendation: The City should implement administrative control procedures to ensure that all cash accounts are reconciled to the general ledger on a monthly basis. Any and all reconciling items should be identified and posted to the books on a monthly basis.

Action taken: The Division of Finance has implemented procedures to ensure that all cash accounts are reconciled to the general ledger monthly, and items that require reconciling will be identified and posted to the books on a monthly basis.

If the U. S. Department of Housing and Urban Development has questions regarding this plan, please call me at (601) 960-2209.

Sincerely yours,



Cynthia A. Melvin
Director of Administration



Produced and Printed by
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Department of Administration
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